

**THE**  
***CREDIT WORLD***

*of the*

**NATIONAL RETAIL  
CREDIT ASSOCIATION**

... November 1955

**Only Publication Serving the Entire Field of Retail Credit**



## What Every Credit Executive Hopes for--

- More prompt-paying credit customers, who spend more money for more things.
- Faster credit investigations, so good customers get better service.
- More complete investigations, so credit customers may charge their maximum with safety for them and for the store.

Your credit bureau can help turn each of these hopes into a reality. Call them and ask about the many features of their reporting service—tailored to fit every type of credit problem.

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*Reports anywhere through affiliated members of*

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7000 Chippewa Street St. Louis 19, Missouri

### YOUR CREDIT RECORD

is the measuring stick by which all credit granters judge you.

Do you realize that your failure to pay this account may affect your credit standing?

**PROTECT YOUR CREDIT BY PAYING PROMPTLY**

### Just to Remind You--

Has this account been overlooked and we'll appreciate your reminder. Thank You!

### Now--Please!

It is your duty to be prompt. Prompt payment builds Good Credit--Worth More Than Gold!

### Please!

With this note attached you won't need to check--Thank You!

### Keep Your Credit As "Good As Gold!"

Prompt payment of accounts is the sure way to build a positive credit record.

"Worth More Than Gold"

### Prompt Payment of your account

is solicited in the same courteous manner as your patronage. Both are appreciated.

### Good Credit

The majority of people use credit in its various forms, but only those who meet their obligations as agreed, continue to enjoy its advantages.

The credit you command rests largely on one thing--not the position you hold, but the property you own, not your bank account--but the way you pay your bills.

Pay all charges promptly each month and build a most accurate credit record.

### "Good Credit--"

is worth more than all the gold money in the world.

Prompt Payment Builds Good Credit--Worth More Than Gold

### MAIL it to day

The Bill of the Month

Pay it promptly

### Keep Your Credit Record Good

Whatever your needs may be, a prompt record of paying your bills is by using a charge account.

A good credit rating, obtained by meeting obligations promptly, entitles you to this privilege.

Pay each account in full on receipt of bill and contract purchase as agreed.

### Protect Your Credit

Your failure to remit account now due and to make future payments according to the terms of your contract will mar your credit record.

Make it a habit to pay promptly

### YOUR CREDIT RECORD IS AN OPEN BOOK

By the way you pay, you write your own record in the files of the Credit Bureau.

At the National Retail Credit Association, the Bureau of the Good Name and Good Credit, from the basis of credit reports and from the records of individuals, the creditworthiness of individuals.

Prompt Payment Make a Good Credit Record

### You Forget-- Didn't You?

We're not mad--it's just a reminder to pay your bill. Think!

### Of Course-- We Missed You!

And your account is waiting for you. Come in and use it. We Value Your Patronage!

### You Don't Owe Us a Cent!

Yes! We've entered it and we hope you will use your charge account this month.

Your Patronage Is Appreciated!

### Promptness

You are urged to make prompt and regular payments, in accordance with your agreement.

Paying promptly builds a good credit record.

### Send Your Credit As a Secret Trust!

Credit is built--confidence in your payment according to terms.

Keep Your Credit Good

### Terms on Monthly Charge Accounts

ACCOUNTS are due and payable upon receipt of bill. They are past due if not paid within 30 days after bill is rendered.

Pay Promptly

### Pay Professional Bills Promptly

THE MANNER in which you pay your professional bills has an important bearing on your credit standing with retailers of the community.

PAY YOUR PHYSICIAN, Dentist and Hospital bills promptly and maintain a good credit record.

### Lost Your Tag?

Why not mail us a check now while you have it in mind? Think!

### The 10th of the Month

Professional Man's Pay Day!

Pay your bills promptly to maintain a good credit record.

### MAIL it to day

Don't let this bill due around pay-day crowd you! Keep your credit good!

Prompt Payment Builds Good Credit

### PAY YOUR ACCOUNT PROMPTLY!

Every charge account that is paid in full each month and each installment contract paid as agreed helps to build and maintain a "Prompt Pay" credit record.

### Just a Blank Statement

To remind you that we miss your patronage and to extend this invitation.

Use Your Charge Account!

### Your Charge Account is Balanced

Yes! We've entered it, and hope you will use it this month.

We Value Your Patronage!

### Credit Is Confidence

in the integrity of an individual is very through his accounts.

Your willingness to pay promptly in the home on which the retailer extends credit to you.

Charge accounts are due and payable on receipt of statement. Installment accounts are due on the dates specified.

Pay Your Obligations Promptly

### MAIL it to day

Now, don't wait around you, write prompt! Mary Threlk!

### KEEP YOUR PROMISE

Each month, stores review their accounts to ascertain which customers keep promises and which do not--and the matter of keeping promises has a most important bearing on your future credit standing.

Prompt payment of accounts builds a credit record of promptness wherever and whenever credit is needed.

### Your Account Is Balanced!

This is just a reminder that we missed you last month.

Use Your Charge Account!

### HAS IT OCCURRED TO YOU

that your unpaid account, if entered against your credit standing?

The National Retail Credit Association, of which we are a member, is an international organization and in the files of its affiliated credit bureaus are maintained accurate, up-to-date records on millions of credit customers.

PLEASE protect your credit standing by making payment NOW

### The Credit Bureau

There is a Credit Bureau in this community that keeps a record of the customer in which you pay your bills. Its files are open to every credit grantor.

As a cooperating member we furnish the Bureau a list of slow and unsatisfactory accounts. If your past due account is reported to them, it will be entered in the files of the credit bureau. Guard your credit by paying all bills promptly.

### A SHOPPING CONVENIENCE

is credit as extended on a shopping convenience. But it is more than a convenience. It has a definite value to the user. For goods and services are a necessity of life. By using your credit, they are able to meet current requirements out of current income.

A charge account that is paid in full each month, and each contract that is paid as agreed helps to build and maintain a "Prompt Pay" record.

### This is a Blank Statement!

To remind you that we miss your patronage and to extend this invitation.

Use Your Charge Account!

### How to Build a Good Credit Record

- 1-Pay charge accounts in full within 10 days after receipt of bill.
- 2-Make contract payments on or before due date.
- 3-Guard your credit as a sacred trust.

### Thank You!

The promptness with which you have paid your account is appreciated. We hope you will use it regularly.

### A Friendly Reminder!

As this account is overdue, it is entered against your credit standing.

Prompt Payment Builds Good Credit--Worth More Than Gold!

### Don't Break Your Promise

Your recent remittance was appreciated. However, it was not in accordance with understanding.

Please bring the account into current condition and maintain a record for promptness.

### Just to Remind You...

That this account is past due. We'll appreciate your remittance. Thank You!

### Maintain a Good Credit Record

For more than a quarter century retailers and professional men of North America have contributed their actual ledger experience--good, bad and indifferent--to form a tremendous catalog of credit information. This information is a basis for the credit record of the customer.

Payment of regular accounts on receipt of bill and installment accounts as agreed will build and maintain a good credit record.

### Past Due!

PROMPT payment of this account is necessary to protect your credit record.

Guard Your Credit as a Sacred Trust.

### We have YOUR NAME in this "Who's Who"

As a member of the Credit Bureau we are called upon to report at frequent intervals the credit standing of our customers. This report is available to every merchant or professional man who is a member of the Credit Bureau.

Your account with us at the present time is PAST DUE. To maintain a good credit record, you should make a prompt payment NOW or arrange for an early settlement.

Name \_\_\_\_\_  
Owed to \_\_\_\_\_  
Balance \$ \_\_\_\_\_ Past Due \$ \_\_\_\_\_  
Date \_\_\_\_\_

Guard Your Credit as a Sacred Trust

### TEST TELLS

The PHYSICIAN.  
The HOSPITAL.  
The DENTIST.

The DRUGGIST one called--  
"I am not in the habit of paying my bills." He was told that his name was in the files of the credit bureau. He was told that his name was in the files of the credit bureau. He was told that his name was in the files of the credit bureau.

MEMBER  
National Retail Credit Association

### Pay your bills in full TODAY

So that your Credit will be good TOMORROW

THE GARDEN OF SOUND CREDIT

### THE GARDEN OF SOUND CREDIT

- Has it occurred to you that your unpaid account, if entered against your record in the files of the credit bureau, may jeopardize your credit standing?
- The National Retail Credit Association, of which we are a member, is a mutual nonprofit organization with more than 32,000 members in the United States, Canada, Alaska, and Hawaii. In the files of its affiliated credit bureaus are maintained accurate, up-to-date records on millions of credit customers. These form the basis of credit reports used by many retailers and others to judge the character and trustworthiness of applicants for credit.
- The purpose of this reminder is to help you protect your credit standing in the community by making payment NOW.

Name \_\_\_\_\_ Address \_\_\_\_\_  
Subscribed to \_\_\_\_\_ Address \_\_\_\_\_  
Balance \$ \_\_\_\_\_ Date \_\_\_\_\_

Stickers and inserts, \$3.00 a 1,000, assorted \$3.50 a 1,000 in lots of 100. Order from N.R.C.A., 375 Jackson Ave., St. Louis 5, Mo.

## Credit Bureau Musts

1. Upon completing application for credit, obtain complete report from your Credit Bureau.
2. The necessary data should be furnished to the Bureau, such as:
  - A. First name and second initial of applicant for credit, and if married, first name of wife or husband.
  - B. Residence address for past three to five years.
  - C. Position and place of employment for past three years.
  - D. Trade references.
  - E. Bank account and whether checking or savings.
  - F. Whether monthly charge or instalment account.
3. Rush reports should be requested only when absolutely necessary. An unusual number of such requests will seriously affect the service of the Credit Bureau and increase its operating costs.
4. Requests from the Bureau for credit information should be handled with dispatch, to insure:
  - A. Prompt service to inquiring member, and,
  - B. Courtesy to the customer referring to you.
5. Report to the Bureau all slow and unsatisfactory accounts, excess returners of merchandise and customers inclined to overbuy.
6. Charge accounts of customers inactive for more than a year should be checked through the Bureau, to ascertain current credit standing.
7. Look upon your Bureau as you would a key executive and an important department of your business, essential to the successful extension of credit.
8. Cooperate with the Bureau to:
  - A. Improve credit conditions in your community, and,
  - B. Consider it your responsibility to contribute to the success of the Bureau in all its activities.
9. Use your Credit Bureau freely, with the knowledge that money expended for reliable credit reports enables you to extend credit safely and is an investment and not an expense.
10. In an effort to effect savings, do not communicate with references direct. Such information is, as a rule, only partially complete and in the long run, much more costly than the purchase of credit reports on all applicants.



**Compliments of  
Your Credit Bureau**

PRINTED IN U. S. A.

## Attention BUREAU MANAGERS!

CHANGES IN credit personnel are frequent. For this reason it is desirable to keep the important steps outlined in this blotter before newcomers in credit offices. The recommendations, if followed, will result in a more efficient and more profitable credit operation.

USED CONSISTENTLY they develop closer cooperation and improve service. An excellent item for enclosure with bulletins.

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# The CREDIT WORLD

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 NOVEMBER 1955

# The Look Ahead

**Paul M. Millions**

**Vice President, Commercial Credit Company  
Baltimore, Maryland**



(An address given at the 41st Annual International Consumer Credit Conference, Louisville, Kentucky, June 22, 1955)

**A**T THE PAST three International Consumer Credit Conferences I have discussed "The Look Ahead," and here in Louisville I have been again assigned the same topic. "The Look Ahead," forecasting, is an attractive topic. Malcolm Forbes editorially calls it a project in which sound men sometimes sound silly and silly men merely sound off. I will feel better as we go along if I say now that I assess my knowledge with humility because the territory of the future is a complex of many forces, both economic and human. Nevertheless, in business we must try to think ahead. Bernard Baruch once said, "We cannot cross a bridge until we come to it; but we should lay down a pontoon ahead of time."

As a working model, the future will be much of the present only grown older. We shall examine some of the present as background for a prediction later. Somewhere along the way we shall comment on credit management, for more than ever before the future of credit is the future of our entire economy. There will be a few statistics in support of comparisons.

Around A.D. 2000 there will be another International Consumer Credit Conference and somebody else will be asked to discuss "The Look Ahead." That speaker will need some background even as we need some background here today. Short of the vehicle so beloved by science fiction writers, the time machine, we cannot say how our descendant speaker will describe our time. We can, however, speculate that he will mention quaint cross currents of political and economic thought. There is the competition of ideas between traditional Adam Smith supply-demand economics and "managerial socialism" toward which we have been tending. In the perspective lent by time he will know, better than we can now, the good and the bad of each. Undoubtedly the truth will rest somewhere in between the extremes of both. Certainly he will describe the startling growth of our national economy in the post World War II era.

But whatever else our descendant-speaker may say, he will probably call 1955 a year of growing economic confusion. Most of our economic thinking is built around giant aggregates—measures like gross national products, disposable income, employment, etc. As far as such aggregates go, the country is now close to a statistician's version of the approach to economic paradise. However, in charts hung around the country where men guess, there is much disagreement about what these giant aggregates mean.

On one side are the optimists. There are some who

believe we have reached a "new era"—no end of prosperity, with recessions, depressions, and worries of the past far away. They believe that repetition of any serious depression is impossible and that the economy has undergone vast changes in recent years. They believe that economic safeguards have been built in.

Then there are the selective optimists, those who believe things are going to keep on being good, but in spots. And there are just plain optimists like the redheaded telephone operator who said, "I guess I am the luckiest woman in the world. I have got a husband and a television set and they are both working."

On the other side are the pessimists. Some economic sophisticates are "men of great gloom." They cannot believe that what we have achieved is true and are most certain it cannot remain true. They fear we are too optimistic and that this is stimulating overproduction and inflation. They fear production will exceed demand, and competition will grind to a sharper and sharper edge. Prices will waver and as signs of weakness spread, selling will increase and buying will diminish in anticipation of lower prices. The infection of pessimism will spread and reaction will succeed prosperity, etc., etc., etc.

The more gloomy fear even a return of the gentle insanity which shook the market place in 1929 and carried forward to a liquidation of \$200 billion of good security and commodity values. And then, as with the optimists, there are just plain pessimists. The worst pessimist I have heard about is the boy who wanted to go to college and study obstetrics. His father said: "It is likely you will waste your time, son. Just as soon as you learn obstetrics somebody will come along with a cure for it."

## **The Optimistic Side**

On the optimistic side, it is not necessary to labor the argument as to our prosperity. As a nation we have never been so prosperous. The gross national product, the selling of goods and services produced, is now around \$371 billion, while before Korea it was \$250 billion. Personal income in April, 1955, rose to a new high—now running at a yearly rate of \$295 billion and the average person after tax purchasing power is up 40 per cent since 1929. And purchasing power, of course, is the common denominator of our national prosperity.

But is not inflation, blown-up dollars, an illusory growth? you may ask. In part, the answer is yes. But the country has enjoyed prodigious growth in constant dollars. The real volume of business transactions and of industrial production is more than double prewar. The national product has also doubled. In 1954 inflated dollars it is three and one-half times greater than 1940.

There are over 15 million more persons at work than before the war.

Let us stop long enough to examine what the pessimists think and to see how much room there is for gloom. Overproduction seems to be a perfectly obvious explanation of reaction and crisis. The accumulation of unsold goods is a fact of common and often painful knowledge. This accumulation exerts a downward pressure on prices. And without such accumulation around, some argue there could be no reaction. Yet in theory, at least, there is no such thing as "all-around overproduction." The ability of people to consume goods has never reached a limit and it probably never will. The actual power of production has never outrun the potential power of consumption and it probably never will.

However, in business we have to be practical as well as philosophical. The impossibility of general overproduction does not imply the impossibility of ill-balanced production or ill-balanced buying, for that matter. As a practical day-to-day proposition, a business is overproduced or overbought when it can no longer sell at a profit. What we are getting around to is this, on production. In recent years we have become more aware of the concept of productivity in increasing our economic well-being. Rather than something to deplore, we realize that we are where we are because of our amazingly productive economy; unique in our history is the fact that our level of prosperity has been fed by our capacity production. One hundred and sixty-five million Americans have more than 193 million Russians and 602 million Chinese because we produce more. It is as simple as that.

On the other side of production we find that market saturation is a popular word in the vocabulary of current economic discussions. Yet we suggest that the absence of any definable saturation point is one aspect of our economy that should forever brighten our thinking. We mentioned our capacity to produce. Of course, purchasing power is automatically generated by production. For example, a \$2,500 automobile sold means \$2,500 distributed to people who took part in its production and distribution—as does a \$25,000 home, or anything else.

#### **Saturated Markets**

As far as saturation is concerned, sales are best in markets that are saturated. They are saturated because the demand is there. When we consider refrigerators, for example, the index of saturation is 92.4 per cent. The average age for refrigerators in homes is 15 years, yet the annual replacement market is \$1,044 billion. If owners of refrigerators could be made unhappy enough to reduce the average age to 13 years, think of what a replacement market there would be. The automobile market is a long way from the saturation point. A one-

car family may soon become the underprivileged. But now, with used-car age averaging from 12 to 13 years, replacement market alone requires around four million new cars annually. The automobile industry is very important. If everything else fails, we can probably all make a living washing each other's cars.

Saturation? Think of obsolescence as a market factor. Manufacturers spend millions annually to make products more desirable. Then they spend more millions on new features to make you dissatisfied as soon as possible with that old "jalopy" or other goods or gadgets. Saturation? Think of the market for new products—things that are needed, wanted, and things that will sell. Industrial research or a new scientific discovery in some inconspicuous laboratory—agile minds in some office doing new things or doing old things better. The first sealed mechanism in refrigerators was perfected in 1926 and then the production of refrigerators and freezers employed only a few hundred, while now the industry employs thousands of people. Freezers alone made possible an entire new industry in frozen foods. Electronics in 1939 was thought of only as tubes in radios. Experts today predict the market in the 1960's will be over 20 billion. Atomic power can mean birth of whole new industry devoted to widespread application to manufacture and locomotion. Two atomic submarine engines first tested in 1953 have already produced as much electricity as all of Manhattan requires in ten hours. Industrial research opens wide vistas for production and marketing.

#### **Baby Crop a New Record High**

Saturation? Think of babies. The 1954 baby crop reached a new record high. A high birth rate, with national death rate at a new low because of advances in medical science and better living, may mean one-third larger population 20 years hence. Think of world markets. As frontiers of geography have moved closer together, some who are supposed to know consider world markets one of the sinews of a strong future economy. Certainly the needs of the world form a bottomless pit for somebody's production, probably ours. Perhaps improved ways for us to reach world markets will be found.

What about inflation? And what are the dangers from a rising volume of debt? Some feel that the whole nation is heavily and precariously in hock to itself. To desecrate a famous line, "Never have so many owed so much." Instalment and non-instalment consumer debt at the end of April, 1955, was \$30.7 billion, while mortgage debt on homes and farms amounted to \$114 billion. It is true that the published Federal debt is \$277 billion with billions of contingent liabilities on the Federal Government.

It is big, but is it dangerous? While over-all public and private debt has increased 50 per cent since World

## **Meet Me in St. Louie, Louie—Be Sure to Meet Me There THE 42ND ANNUAL INTERNATIONAL CONSUMER CREDIT CONFERENCE**

**HOTELS JEFFERSON AND STATLER, ST. LOUIS, MISSOURI, JUNE 18-21, 1956**

**National Retail Credit Association**

**Credit Women's Breakfast Clubs of North America • Associated Credit Bureaus of America**

War II, national production has increased faster, 68 per cent. The ratio of instalment debt is still around 9 per cent of disposable income and this ratio has climbed barely 2 per cent in 15 years. The ratio of home mortgage debt to disposable income is around 29.6 per cent. It was the same ratio to disposable income at the end of 1934. Consumer savings are estimated at \$525 billion which is considerably more than the consumer debt. Studies indicate that there is no gross speculative credit at work in the stock market and margin accounts are not large in relation to market value of all securities.

I read an article recently titled, "Social and Economic Consequences of Buying on the Instalment Plan," published in 1927. During that year instalment debt was \$2.75 billion. In the article we read "... filled with possible disastrous consequences to the credit system and to individuals who may find themselves enmeshed by it."

### **Debt Is Big But Not Dangerous**

As a relative consideration, then, we suggest that, from where we are now, over-all debt is big but not dangerous. However, there are dangerous trends with which you are familiar. The founding of Plymouth Colony, with a seven-year loan, required the Pilgrims 25 years to pay. Since that time the shape, proportions, and implications of our economy have been importantly influenced by credit in one form or another. I do not have to say to this group that consumer credit has ranked high as a device to improve material well-being for millions. Some fancy-word worker put it, "The thing for which you have to give Americans credit is their standard of living."

Credit has had a great past and credit or debt could buy a lot of future now with public credit, private credit, in land, in buildings, and in the stock market. Instead of merely keeping up with the onrushing future we could outrace it on credit; but as a future consideration that would be altogether uneconomic and definitely a road to fatal fiscal failure. In time the economic machine would refuse to climb on increasing amounts of debt fuel. It would be racing ahead of solid growth. In the end we would emerge from more inflation poorer and with sorrow and humbleness for what happened.

With credit such a mighty force in our new economic order, and if this order is to succeed, credit must be kept sound. Someone asked, "What is sound credit?" A simple answer is credit that gets your money back. Terms are no more than they are supposed to be, a measure of risk. Terms that deny this are unsound—debts that are not related to the buyer's ability to pay. Durable goods sold on time on terms which fail to create and maintain reasonable purchaser equity fail too often to get your money back and are, therefore, unsound.

All of you in this group know this. The danger is that so many do not know it. There are too many in business that do not know the future portent of selling credit instead of selling merchandise—abusing credit in an effort to defeat competition. There are too many of our citizens that do not know that abuse of public credit, no matter how noble the social end, can lead to frustration and ruin. We think in terms of risk and we all know that credits that are not related to a buyer's ability to pay are unsound.

Someone defined durable goods as, "Those that last as long as the time payments." I am afraid we are creating

here and there some debts for durable goods that might last longer than the goods themselves. It is a dangerous trend in some areas. We think of sound credit as goods, houses, automobiles, or anything else. If the down payment and schedule of payments fail to create an initial buyer equity and maintain a reasonable equity as property depreciates, it is unsound credit. We do not have to theorize about what unsound credit is. We all know this. The trouble with the country is that so many others do not know it. There is a vast difference between philanthropy and credit and you private credit managers are not philanthropists, in this sense at least. To you, credit is a loan, not a gift, and this is a limiting factor in keeping private credit sound. But, unfortunately, there is not the same limit in public credit and if managers of public credit become too philanthropic, even for well-intended social reasons, the end will be frustration and ruin. That is the lesson that all history teaches and we have no reason to believe otherwise.

And what a field for credit education, both in private credit and public credit. Your own fine organization is doing great work in credit education. In Paragraph One of your Code of Ethics we read, "To encourage use of credit on sound business principles." Numerous sessions like this are devoted to education in sound credit practices. Perhaps we shall all, in every way we can, give more time to better "education" in use of public credit. In representative government, a nation in time becomes what people think and what they are capable of thinking. Walter Lippmann, in his new book, *The Public Philosophy*, charges elected governments are not really governing, but merely trying to appease the voters.

Are we headed for price inflation? There are two sides—money and production. Price movements, of course, are always an important future consideration. It is too soon to appraise the results of the new round of wage increases. Cost is price. Unless wage increases mean higher man-hour production, it could mean higher prices; however, right now manufacturers may think hard before passing on any higher costs to the public. The *Wall Street Journal* comments, "Those involved are now afflicted with Hamlet's malady of uncertainty, to raise prices or not to raise prices, even, perhaps, to be or not to be." It is a good guess that there will be no sizable amount of further price inflation soon. The supply and capacity are equal to or bigger than demand for almost all things that people use. There are lots of goods around and more prices are down than up.

### **The Science of Human Behavior**

Economics is the science of human behavior and the greatest factor in a thriving economy is public confidence. There is no denying it: Should business pull in its horns and become too defensive? Should a few million Joe Doakes fear their future and cut down on personal expenditures? Should inevitable adjustments of some size cause fear to spread? If these things should happen, the brightest statistical picture would darken overnight. Which, "at long last," as the Duke once said, brings us to our prediction.

On the basis of evidence assembled, there seems to be a general agreement among economists that there are now no serious maladjustments to deplore. As we have said, some economic sophisticates are men of gloom; however,

most businesses and people seem to be facing the future confidently. The reasons for this confidence are neither easy to understand nor easy to explain. However, we offer this thought. Business is confident because of favorable prospects for sales and profit. Despite our burgeoning economy some pretty smart companies are working on new "bricks and mortar" programs to increase capacity. Even capital outlays by business are heading higher. If the public is worried about the future of our economy, current surveys show no sign of it. The Federal Reserve Board's survey of buyers' intentions shows the public is now more optimistic than it was a year ago.

The legacy from past depressions is a considerable amount of economic wisdom that will help keep the economy from "falling down" seriously. In business there is undoubtedly better foresight and better information to help avoid serious maladjustments. Not all, but most, businesses develop trends faster, project them further, thus misguided judgments that lead to maladjustments are mitigated or altogether avoided. In general, future course of business is planned better and, in addition, business is better equipped to run the course. Our future is faced with quiet confidence instead of a mixture of hope and fear.

#### **Built in Safeguards in Government**

In government some notable safeguards have been built in. Regardless of our political creed, measures like deposit guarantees, guaranteed home mortgages, and flexible price supports should give greater measure of stability. We should at least prevent mad mass fear and liquidation, such as characterized the last great depression. Certainly it will provide more time for adjustment to adjustments.

Both major parties are committed to a high level economy. Just what planned government stimulants could do, should economy react seriously, is a moot question. Since the beginning of history, rulers and politicians have been trying to repeal and nullify economic laws. In the long run, economic law has prevailed over statute law. But as we have observed, "economics is the science of human behavior"—instincts of men make economic laws. The fact that so many now believe in omnipotence of government in matters economic is a consideration.

#### **Traditional Patterns of Freedom**

Let us hope that this belief in government powers will not turn us too much from traditional patterns of freedom of enterprise and opportunity. "Let's don't creep too much into the arms of the state and seek refuge in its power rather than our own courage." Durable formula for ever rising standard of living and economic well-being is traditional. The increases in industry's productive efficiency result in better products at lower costs and prices. The free job opportunities for the population may pass 200 million in the next 20 years.

Last year at San Francisco we guessed "a bright future but bright with clouds." Unless a vast majority of economists are much more wrong than usual, it is still future bright. For the immediate future, short of crippling strikes, short of some new energizing force such as war, there will be a normal summer slackening in some industries and a normal summer pick-up in others such as hotels, travel, etc. There will be a normal eco-

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nomic unevenness. There will be adjustments here and there. Some adjustments may be deep but none that should precipitate and carry forward any serious downward movement in the general economy. Mild adjustments are desirable. They build character.

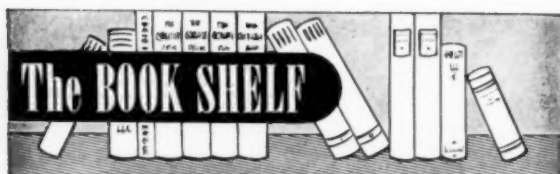
For the longer future I predict that America will continue to grow. The future will vindicate those who predict a steadily expanding future for this country in the years ahead. We said a descendant-speaker would be looking back on us A.D. 2000. How is it going to be in A.D. 2000? Henry E. Ford, DuPont Research Director, says, "We're justified in assuming the year 2000 will find our grandchildren looking back to mid-century with pity—pity because of what they will regard as the hard, primitive life we lead today."

To summarize what I have attempted to say:

1. In marching toward this bright future only the foolish will assume their industry, their business will automatically prosper. The race for success will go to the swift and the efficient—those mentally equipped to meet new problems with new solutions. As always there will be possibilities for failure. And may we keep those possibilities; it is the way we transfer the economy from the inefficient to the efficient.

2. It is a bright future for credit management. Credit will continue to be the facilitating mechanism of American business—a mighty force in the whole economy. The more we produce the more we in consumer credit will have to place in the hands of the masses.

3. On this lucky continent of ours, there will be plenty of opportunities for aggressive, competent credit management. ★★★



**Using Instalment Credit** (Commercial Credit Company, 14 Light Street, Baltimore 2, Maryland, 80 pages, free on request). The purpose of this study is to present a positive program which may assist the consumer in using instalment credit intelligently. The steps he may take to secure benefits and avoid the dangers are considered in detail. It has been prepared with the needs of upper division senior high school students, and the general reader, in mind. It also should be of value for supplementary reading in college and university courses. This is Studies in Consumer Credit, No. 4, written by Dr. Clyde W. Phelps, University of Southern California.

**Credit Management Year Book** (Credit Management Division, National Retail Dry Goods Association, 100 West 31st Street, New York 1, N. Y., 320 pages, \$6.50 to members, \$10.00 to non-members). Edited by A. L. Trotta, Manager of the Association's Credit Management Division, the 1955-1956 edition contains sections on credit sales promotion, credit sales management, expense control, research and operating statistics, new credit techniques, collections, instalment credit, smaller stores, executive development, credit

bureau service and authorization. This, the 22nd volume has been compiled specifically to assist credit executives in finding answers to their problems.

**Public Relations for the Smaller Firm** (Bureau of Business Management, University of Illinois, Urbana, Illinois, 35 pages, 50 cents). This informative booklet sets forth a practicable public relations policy for the smaller firm. Just because a business is small it is a mistake to assume that it does not need a public relations program. A well-planned public relations program will achieve for any business customer confidence, employee loyalty and productivity, stock holder and community good will, and improved credit standing. This booklet shows the way.

**The Money Market and Its Institutions** (The Ronald Press Company, 15 East 26th Street, New York 10, N. Y., 323 pages and 32 tables, \$6.00). A knowledge of the money market is of vital importance for students and teachers of banking and finance, executives of banking and financial institutions, and financial officers of corporations. The purpose of this book by Dr. Marcus Nadler, Sipa Heller, and Samuel S. Shipman is to examine the powers of the monetary authorities and the mechanism of creating bank reserves and deposits, and to analyze and interpret the statements and statistical data issued by governmental agencies and private organizations concerned with money and credit.

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FOR THE convenience of contestants for the Scott Award of \$500.00 in cash, we list the states that comprise each N.R.C.A. District, the dates of the District Conferences, and the names and addresses of the District Presidents:

*District No. 1* (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, Provinces of Quebec, New Brunswick and Nova Scotia, Canada). District Conference will be held on May 6, 7, and 8, 1956, at Springfield, Massachusetts. President of the District, Bernard Eyges, Leopold Morse Company, Adams Square, Boston, Massachusetts.

*District No. 2* (New Jersey and New York). District Conference will be held on February 12, 13, and 14, 1956, at Pittsburgh, Pennsylvania. President of the District, Edward M. Gallagher, Lit-Trenton, P. O. Box 320, Trenton, New Jersey.

*District No. 3* (Florida, Georgia, North Carolina, and South Carolina). District Conference will be held on April 15, 16, 17, and 18, 1956, at Asheville, North Carolina. President of the District, John W. Loos, Foremost Dairies, P. O. Box 4218, Jacksonville, Florida.

*District No. 4* (Alabama, Louisiana, Mississippi, and Tennessee). District Conference will be held on April 15, 16, 17, and 18, 1956, at Asheville, North Carolina. President of the District, B. C. DeLoach, Loveman's, 216 North 19th Street, Birmingham, Alabama.

*District No. 5* (Kentucky, Michigan, Ohio, Ontario, Canada, Illinois, Indiana, and Wisconsin, except Superior). District Conference will be held on February 12, 13, and 14, 1956, at Toledo, Ohio. President of the District, Wilson C. Fox, Babcock Dairies, 945 Berdan Avenue, Toledo, Ohio.

*District No. 6* (Iowa, Minnesota, Nebraska, North Dakota, South Dakota, Manitoba, Canada, and Superior, Wisconsin). District Conference will be held on March 11, 12, and 13, 1956, at Des Moines, Iowa. President of the District, Gayle W. Huston, Koch Brothers, 4th and Grand Avenues, Des Moines, Iowa.

*District No. 7* (Arkansas, Kansas, Missouri, and

Oklahoma). District Conference will be held on April 7, 8, and 9, 1956, at Wichita, Kansas. President of the District, Melvin E. Clark, 512 South Glenn, Wichita 13, Kansas.

*District No. 8* (Texas). District Conference will be held on May 20, 21, and 22, 1956, at Austin, Texas. District President, Fred G. Cimmerman, Neiman-Marcus, 917 Main Street, Houston, Texas.

*District No. 9* (Colorado, New Mexico, Utah, and Wyoming). District Conference will be held on February 19, 20, and 21, 1956, at Colorado Springs, Colorado. President of the District, Ray Stein, City of Colorado Springs, Department of Public Utilities, Municipal Building, Colorado Springs, Colorado.

*District No. 10* (Alaska, Idaho, Montana, Oregon, Washington, Provinces of Alberta, British Columbia, and Saskatchewan, Canada). District Conference will be held on May 21, 22, 23, and 24, 1956, at Seattle, Washington. President of the District, Hugh Tallent, Charles F. Berg Inc., 615 S. W. Broadway, Portland, Oregon.


*District No. 11* (Arizona, California, Hawaii, and Nevada). District Conference will be held on February 19, 20, and 21, 1956, at Fresno, California. President of the District, Ray Edwards, Smith's, 12th & Washington, Oakland, California.

*District No. 12* (Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, and West Virginia). District Conference will be held on February 12, 13, and 14, 1956, at Pittsburgh, Pennsylvania. President of the District, J. P. Lee, Frankenberger & Company, 104 Capitol Street, Charleston, West Virginia.

We again emphasize that contestants must be members of N.R.C.A. and engaged in retail credit work. If there is any doubt about the eligibility of a contestant, please write to the National Office for a ruling.

Members of District Scott Award Committees and also of the National Scott Award Committees are eligible to participate in the contest, provided they meet the basic requirements, but must disqualify themselves as judges if they have entered for the Award.

### Will You be the Winner of \$500.00 at the St. Louis Conference?



General Manager-Treasurer  
NATIONAL RETAIL CREDIT ASSOCIATION

# Pro-Rater Plague

Karl G. Pearson

Chairman, Department of Business Administration  
Upsala College, East Orange, New Jersey

**G**ET OUT of debt!" "Let us pay all your bills." "No matter how much you owe, how many people you owe it to." "No co-signers, security or credit references!" Such are the seductive headlines from current newspaper advertisements, evoking the vision of a credit Messiah to save the debtors—one and all.

And who is this credit Messiah? Is he a bank? Is he a loan company? Is he a credit union? He sounds like any or all of these, but the sound is deceptive. Actually this is the enticing pitch of the Pro-rater—the Pro-rater who, in return for a handsome fee from the unsuspecting debtor, will attempt to take and parcel out of the debtor's income, enough to pay off his creditors eventually, leaving the debtor a slim margin to cover food, shelter, and clothing. The Pro-rater may have other names such as debt-pooler, debt-adjuster, debt-budgeter or debt-manager, but the pattern of his practice remains the same.

The Pro-rater lends no money. He runs his business on the debtor's money, so why shouldn't he advertise "no co-signers, security or credit references"?—he has no money of his own to protect! Obviously he is no philanthropist giving relief to the debt-ridden without asking anything in return; hence the need to confuse debtors into thinking they will be dealing with some legitimate lending agency.

What is the "first aid to debtors" the Pro-rater so glibly promises? It usually turns out to be "first aid" to the Pro-rater because he takes the first bit out of the debtor's paycheck. What about "the evening appointment in the privacy of your home" so delicately offered? Will this turn out to be the fable of the spider and the fly in reverse setting? After you put yourself in the Pro-rater's hands, can you really "look your creditors in the eye knowing that your bills are being paid" as the Pro-rater asserts? Or is it that your life remains "filled with worry because you find it more and more difficult to keep up with the payments"? Let us tune in on the Pro-rater's song and listen to how it comes out on the record.

Until two years ago, Pro-raters operated on a limited scale. They had not assumed the proportions of a social

or economic problem, but they are rapidly becoming one. Pro-rating has emerged as a fertile field for shady characters and fly-by-night operators who are quick to see the "fast buck" that can be exploited from the debt-ridden. The business requires practically no capital. It may be here today and gone tomorrow. In fact, many do move stakes after each progressive "local killing" of those at the end of their debt rope.

They need make no accounting for their clients' funds. They need issue no financial statements. They may keep their offices in their hats and their affairs in their heads. They can—and do—charge what the traffic will bear. Their business has been profitable to themselves to the degree that it has been unprofitable to their clients. They handle other people's money without having to meet any requirements of reputation, experience, or financial responsibility. With so little to lose and so much to gain, it is no wonder that these Pro-raters are springing up everywhere.

Men work in devious ways their evils to perform. An Illinois Pro-rater developed "Standards of Office Procedure" for his staff to follow in interviewing, counseling, and closing transactions with debtors. His salesman secured entry to debtors' homes by leaving a picture of Jesus Christ, charging \$1.00 as "Royalty," and agreeing to refund this when the debtor signed up for their service. This Pro-rater distributed cards to ministers and merchants, asking them to list the names and addresses of debtors for debt counseling, and promising to pay the informants \$5.00 for each debtor who signed up.

He maintained a staff of telephone solicitors, asking debtors whether bills were worrying them, and informing them that the Pro-rater's representative was near at hand, ready to call and explain the easy way for getting out of debt. Sometimes "scare tactics" were used: "If you do not sign up with us to take care of your debts, your credit standing may be ruined."

Other Pro-raters try to pass themselves off as loan companies. They may actually call themselves "finance" companies. They may list themselves under "finance" or "loan" classifications in the want-ad sections and in the yellow pages of telephone directories. Their letters assert that banks, credit houses, and loan companies regard them as a necessary addition to the credit structure. They lead the debtor to believe that they are held in such high esteem that creditors fall in line automatically with whatever "plan" they propose.

Under the spell of the Pro-rater's promise to afford "relief from bill collectors" and to free you from "money troubles," the debtor loses his skepticism. He does not question why his creditors should give up their rights to repossess the security he has given, their rights to collect in full on the due date, and their rights to institute legal action. Lulled by the soothing slogans of this "Never-Never Land," the hypnosis becomes complete. The debtor signs the "plan" on the dotted line. And he turns a part of his income over to the Pro-rater.

## A STATEMENT

By Charles V. Neal, Jr., *Executive Secretary*  
American Association of Credit Counsellors

"The American Association of Credit Counsellors is determined not only to eliminate the racketeers in the debt adjustment business but to weed out the incompetent, the cynical, and those who place profit above service. It is more an indictment of human nature than the profession of credit counselling that so many questionable operators have gotten into this field. We wish the debt adjustment field to be recognized for its service and not criticized because of the action of scoundrels."

If the debtor earns \$300.00 per month, he may find that his contract obligates him to turn over to the Pro-rater as much as 20 per cent of this, or \$60.00. If the debtor's unpaid bills total \$1,500.00, ostensibly the "plan" will pay them off in 25 monthly installments of \$60.00 each. But now the debtor has still another creditor—namely, the Pro-rater himself. If his fee is 20 per cent of the total indebtedness of \$1,500.00, then he must be paid \$300.00. As the debtor deposits his \$60.00 a month with the Pro-rater, this new creditor is in a strategic position to put himself on the preferred list and get paid off first.

And the debtor may find that the 20 per cent fee of the Pro-rater is only the beginning. The fine print in the contract may require him also to pay the Pro-rater bookkeeping fees, handling fees, check service fees, and per capita fees of so much for each creditor per month. A debtor, destitute of cash to pay the "service" and other fees, may be required to sign a promissory note for the entire amount, making the Pro-rater the payee, and giving him the right to sue on the note, should the debtor get into arrears on payments under the "plan."

The Pro-rater contract may provide for a "reserve fund," a device to protect the Pro-rater, should the debtor tire of his financial regimentation and cancel out. This "fund" constitutes the amount of the Pro-rater's fee, and allocations from the debtor's income must first build it up, before payments to creditors can be made. If the debtor gives up on his agreement, the Pro-rater may pay himself off out of this "fund."

Suppose the Pro-rater fails to persuade the creditors to agree to his plan for paying them off out of the debtor's income. Is there any provision in the contract for a refund to the debtor of the fee he has paid? What protection does the contract provide the debtor, if any? What disclosures must the Pro-rater make the debtor regarding his progress with the creditors? On these points, the contract is often silent.

### **Protection of the Debtor**

The debtor may feel protected because the Pro-rater may advertise himself as "bonded" or even "double bonded." At best, this is insurance only against the Pro-rater's absconding with the debtor's funds. It is no guarantee that the Pro-rater's plan will work. And in the vast majority of the cases, the debtor does not even know who the bonding company is, and therefore lacks practical recourse in the event of defalcation.

Pro-rating is based on the "cooperation" of creditors. Why should they "cooperate"? The debtor still owes them the money. The intrusion of the Pro-rater has made no change in the amount of the bill. The due date stands. The repossession rights, and conditional sales contracts, and the chattel mortgages—which secure the creditors—are still in effect.

What would the creditors lose by "cooperation"? They would waive their rights to collect on the due date. They would give up interest accruing after maturity of the obligation. Congested as the present crowd of creditors has become—now they have to move over to make room for one more—the Pro-rater. In fact, his very appearance on the scene makes the debtor's situation look even worse, and may start a chain reaction of immediate suits against the debtor, instead of waiting until matters reach a crisis.

Under circumstances such as these—do creditors "cooperate" with Pro-raters? Some do. They are usually the unsecured, like department stores and their open accounts, specialty shops, independent grocery stores, and the professional accounts of doctors and dentists. But the secured creditor usually sees no advantage to himself in such "cooperation."

Suppose creditors do not "cooperate." What happens to the debtor? The four freedoms so glibly promised him are gone with the wind. He was promised "freedom from collectors knocking at your door." Ironically enough, this may now be true. He cannot pay his rent. He is evicted. There is no door on which to knock.

He was offered "freedom from garnishments." His employer becomes so fed up with the wage assignments slapped on the employee that he may dispense with his services. And so there are no more wages to garnish.

He was to be given "freedom from debt slavery." Wherein has he been released? Now the target of credit actions from right and left, he is harassed as never before.

He was to be blessed with "freedom from heavy car payments." The finance company repossesses his car. And so he is freed from any more payments on it.

### **Cases in Better Business Bureaus' Files**

The files of Better Business Bureaus bulge with cases such as these. Typical is the case of the mother of four. Her husband is out of work. And so she makes artificial flowers, sews aprons, and works on moccasins at home. This provides her with enough to pay \$20.00 a week to the Pro-rater, on his bland assurance that "everything will be all right" with her bills of some \$1,500.00. After the Pro-rater got \$150.00 of her money, she still received dunning notices and threats of legal action from her creditors. She complained to the Pro-rater, and he turned a deaf ear. She asked for her money back, and he turned her away.

She, like so many others under the Pro-raters' "plans," found herself in a worse state than before. With original creditors still pursuing them, debtors see the "plans" as a snare and a delusion, and 50 to 75 per cent cancel out. And the Pro-rater may be happy to have them do so. He is then relieved from further commitments on their behalf. He then keeps his fee, with the job he was supposed to do still undone.

What is this panacea for the debtor's ills? Is it inherently sound and constructive? If it is, then let the law recognize it as such and impose regulations and safeguards to prevent abuse by the unscrupulous. If it is not, then let it be uprooted!

Pro-rating purports to offer a service. The Pro-rater is to act as liaison between the debtor and his creditors, persuading them to reduce the size of individual payments and to extend the time, in accordance with the debtor's ability to pay.

Does the Pro-rater reduce the amount of the debtor's indebtedness? He does not reduce it. He increases it. If the debtor owed \$1,500.00 before, and the Pro-rater's fee is 20 per cent, the debtor now owes \$300.00 more, or \$1,800.00.

If the debtor had ten creditors before, now he has eleven, for the Pro-rater has been added, as a preferred creditor entitled to the first payment. If the debtor had ten promissory notes outstanding before, he may now have still another one made out to the Pro-rater.

Does the Pro-rater provide a service by budgeting the debtor's income? He does determine how much should be paid himself and other creditors, and how much can be left for the debtor's basic needs. But a debtor can get a better budgeting service at little or no expense from the personal loan department of a bank, from a licensed and regulated small loan company, from a credit union or from a social agency in his community.

Does the Pro-rater make arrangements with creditors that the debtor could not make himself? He does not. The debtor will get farther by contacting his creditors himself, laying his cards on the table, showing his financial difficulty, and asking for consideration. If the debtor cannot get consideration on his own initiative, how can the Pro-rater get it for him?

Suppose the debtor is reluctant to negotiate with each creditor individually—can the Pro-rater serve effectively under such circumstances? What will be the reaction of the creditors? Will they all cooperate and hold the debtor harmless, or will they feel that the debtor must indeed be in a bad way to compel recourse to the Pro-rater?

A logical course would be to act fast in actions against the debtor before others do. If the creditors are secured, they will not go for a "plan" under which they would lose their preferred position. They have much to lose and nothing to gain. Even the unsecured creditor would be reluctant to surrender his contact with the debtor which provides him a measure of personal collection pressure and leverage.

Even at best the Pro-rater's plan is one providing a subsistence level for the debtor and the debtor's resolution to follow it to completion is bound to break under the strain. His human wants require more than subsistence. He and his family will find expression—plan or no plan. But when he breaks through the rigid controls laid down, he breaks the contract with the Pro-rater and gets farther and farther behind. He sinks into a financial morass. His frustrations grope for the only out they can—namely, to give up the "plan" entirely, let the chips fall where they may.

Surveys confirm the fact that a good percentage of debtors cancel their contracts with the Pro-raters and the creditors remain only partially repaid, leaving the debtor with substantial obligations but minus the amount the Pro-rater took for himself and possibly a deficiency judgment in favor of the Pro-rater. Thus, the supposed benefactor has merely added an additional burden to the debtor's pack.

Appropriate civil and criminal actions are currently being brought against such activities of Pro-raters as can be classified as illegal. An eleven-count indictment has been returned against a Pro-rater and its associates by a Federal Grand Jury in Illinois, charging mail fraud, fraud by radio advertising, and conspiracy. Authorities in Boston have declared these operations to be a vicious racket, and have cracked down on Pro-raters reported to have victimized poor families of \$500,000.00. A Philadelphia Pro-rater has been convicted for violation of the Pennsylvania Penal Code relating to unlawful collection agencies. A \$15,000.00 damage suit is being pursued against a Pro-rater in Kansas City, Missouri.

In Pennsylvania the activities of Pro-raters are barred. In the province of Quebec they are regarded as engaged in the unauthorized practice of the law by reason of their contract negotiations and purported legal advice. Bar associations in Michigan and Colorado have concurred in this opinion.

But if the debtor cannot help himself through his own initiative and the Pro-rater is not the answer, just what is there left for him to do? There are many alternatives to the Pro-rater—better ones.

First, he can try to get his creditors to review his debt pattern and make the necessary adjustments in payments or extensions of time which will permit orderly liquidation within the debtor's ability to handle. Almost all creditors will cooperate if the debtor lays his cards on the table, and more readily than they would through his middleman, the Pro-rater.

Second, he can go to an accredited lending agency such as the personal loan department of a bank, a regulated loan or consumer finance company or a credit

#### Documentation

1. Quotations from Pro-raters' advertisements:  
*The American Banker*, February 28, 1955; *New York World Telegram Sun*, April 6, 1955; *Better Business Bureau Bulletin*, Kansas City, Mo., October 6, 1954; *Newark Star Ledger*, January 21, 1955; *Chicago American*, November 27, 1954; *Minneapolis Sunday Tribune*, October 10, 1954; *Kansas City, Mo.*, and *Chicago, Ill.*, telephone directories
2. The Mushrooming Pro-Rater:  
Conference on Personal Finance Law, Spring, 1955, pp. 44-45; *Toledo, Ohio, Blade*, February 6, 1955; *Chicago Daily Tribune*, February 3, 1955; *Pro-rate Bulletin* No. 7, February 10, 1955
3. Enticing the Debtor:  
January, 1955, Grand Jury Charges, U. S. District Court, Northern District of Illinois, Eastern Division; *Pro-rate Bulletin* No. 7, February 10, 1955; Conference on Personal Finance Law, Summer, 1954, pp. 82-84; *American Industrial Bankers Association Bulletin*, March 2, 1955
4. What Does the Debtor Buy?  
*The American Banker*, February 28, 1955; *New York Herald Tribune*, March 19, 1955; Conference on Personal Finance Law, Spring, 1955, pp. 44-45; *New York World Telegram Sun*, April 6, 1955; *Better Business Bureau Bulletin*, Kansas City, Mo., March 9, 1955; *Toledo Better Business Bureau Report*, January, 1955; *Better Business Bureau Bulletin*, Baton Rouge, La., January 12, 1955; *Columbus, Ohio, Better Business Bureau Bulletin*, March, 1955; *Consumer Credit Letter*, Chicago, March 5, 1955; *Toledo, Ohio, Blade*, February 6, 1955; *Toledo Better Business Bureau*, January, 1955; *St. Louis Better Business Bureau Bulletin*
5. What Does the Debtor Get?  
*Silver Shield* letter, February 8, 1955, Attention—Credit Manager; *Flint, Mich., News-Advertiser*, April 15, 1955; *St. Louis Better Business Bureau Bulletin*; *Toledo Better Business Bureau Report*, January, 1955; *Better Business Bureau of Baton Rouge, La.*, January 12, 1955; *Chicago Daily Tribune*, February 3, 1955; *Consumer Credit Letter*, Chicago, February 12, 1955; *Boston, Mass., Traveler on Debt Racket Probe Pushed*.
6. Panacea or Parasite:  
*Toledo, Ohio, Blade*, February 6, 1955; *Consumer Credit Letter*, Chicago, March 5, 1955; *The American Banker*, February 28, 1955; *Better Business Bureau of Baton Rouge, La.*, January 12, 1955; *St. Louis Better Business Bureau Bulletin*; Conference on Personal Finance Law, Summer, 1954, pp. 82-84; *American Industrial Bankers Association Bulletin*, March 2, 1955
7. Combating the Evil:  
*Chicago Daily Tribune*, February 3, 1955; *Boston, Mass., Traveler on Debt Racket Probe Pushed*; Conference on Personal Finance Law, Spring, 1955, pp. 44-45; Conference on Personal Finance Law, Summer, 1954, pp. 82-84; *Better Business Bureau, Kansas City, Mo.*, March 9, 1955; *Flint, Mich., News-Advertiser*, April 15, 1955.
8. Debt Bondage or Debt Adjustment:  
*Toledo, Ohio, Blade*, February 6, 1955; *Toledo Better Business Bureau Report*, January, 1955; *Pro-rate Bulletin* No. 7, February 10, 1955

## Massachusetts Debt Pooling Law

Mr. Albert G. Tierney of the law firm of Tierney and Tierney, Boston, Massachusetts, and vice chairman of the Committee on Unauthorized Practice of law of the Boston Bar Association, was instrumental in having a law passed entitled "An Act Relative to Debt Pooling Plans." Mr. Tierney is a member of the National Retail Credit Association and the Retail Credit Association of Boston. In an effort to get the bill passed, he was aided materially by John A. Canavan, Manager, Credit Bureau of Greater Boston, as well as Francis M. Hernan, Past President, Retail Credit Association of Boston, and its present President, Frank L. Mullett. At one of the meetings of the Boston Association it was voted unanimously to support the bill which Mr. Tierney had advocated and which was subsequently passed by the legislature and approved by the Governor. It is Chapter 697 of the Acts of 1955, entitled "An Act Relative to Debt Pooling Plans," and reads as follows:

*"Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows: SECTION 1. Chapter 221 of the General Laws is hereby amended by inserting after section 46B the following section: Section 46C. The furnishing of advice or services for and in behalf of a debtor in connection with any debt pooling plan, whereby such debtor deposits any funds for the purposes of making prorata payments or other distributions to his creditors, shall be deemed to be the practice of law within the provisions of sections forty-six and forty-six A. Any person who, not being a member of the bar of the commonwealth, furnishes or offers to furnish any such advice or services, shall be punished by a fine of not more than five hundred dollars or by imprisonment for not more than six months or both. SECTION 2. Section 46B of said chapter 221, as amended by chapter 75 of the acts of 1947, is hereby further amended by striking out, in line 7, the words 'or forty-six A' and inserting in place thereof the words: forty-six A or forty-six C, so as to read as follows: Section 46B. The supreme judicial court and the superior court shall have concurrent jurisdiction in equity, upon petition of any bar association within the commonwealth, or of three or more members of the bar of the commonwealth, or of the attorney general, or of the district attorney within his district, to restrain violations of section forty-six, forty-six A or forty-six C."*

union. These groups do a great deal of refinancing of debts and some will go to considerable lengths to set the debtor up under a realistic budget which will permit him to pay the loan and still leave a sufficient margin for decent living.

*Third*, many states permit debtors to have their debts "Pro-rated" by a court-appointed trustee and while there is a fee for the trustee involved based on the amount of debt, it does not approach the fees which the Pro-raters referred to here get. And the debtor is protected from his creditors since, under the trustee plan, the creditors must deal with the trustee.

*Fourth*, there is a special provision of the Federal bankruptcy act which permits debtors to voluntarily seek a plan of liquidation which is not a bankruptcy proceed-

## Case FOR Debt Management

PRICE A. PATTON  
President, Financial Adjustment Co.  
Chicago, Illinois

IN THE July, 1955, CREDIT WORLD, there is published an address given by Mr. B. J. Lenihan, President of Time Finance Company, before the Annual Consumer Credit Conference at Louisville, Kentucky, on June 21, 1955. The title of the address is "Debt Adjusters, Are They a Blessing or a Burden?"

Since Mr. Lenihan dealt with the last part of his subject only, I want to thank The CREDIT WORLD for the opportunity to round out his address with some concrete information about professional debt-management and its place in the consumer credit field.

Mr. Lenihan refers to our "extremely brief existence." He is, of course, not aware that constructive debt-management work has been carried on across the country for the past 25 years. Five members of our American Association of Credit Counselors have a combined operating experience of 100 years.

This record of operation was accomplished in close contact with all members of the respective credit communities, with the full cooperation of at least 90 per cent of each of the communities, and *without one single instance of wrongful conduct in the handling of the debt problems and supervising the home budgets of more than 75,000 families.* This is the service which Mr. Lenihan is confident "will pass rapidly and completely from the scene of American business."

This is the service which has been minutely analyzed and commended in the reports of impartial observers as published in the *Saturday Evening Post*, *Collier's*, *The University of Chicago Law Review*, *The Rotarian*, *Pageant Magazine*, *The San Francisco Chronicle*, *The Chicago Tribune*, and other publications over the country.

Our own firm, in business 25 years, has been dealing with the offices of Mr. Lenihan's company ever since they started operation in this area. Not until the address reported in The CREDIT WORLD did any member of his organization *ever indicate a belief that we are racketeers.* To be sure, we have racketeers operating in the guise of debt adjusters. Like most businesses and professions, we have Ponzi promoters and quick-money quacks. They have been a serious problem in the last two years and

ing but, like the state trustee plan, binds the creditors to the plan of liquidation.

*Fifth*, there is always an actual bankruptcy proceeding itself for the debtor whose situation is beyond redemption.

*Sixth*, there are the community welfare agencies to whom debtors may turn, who will try to seek adjustments with creditors and even help with funds in some cases where the situation warrants it. The Legal Aid Society can be particularly helpful with the suggested legal remedies.

Pro-raters are presently seeking legislation to dignify their operations and legalize their charges. The states would do well to turn a deaf ear to this siren song and outlaw them entirely as a social and economic malignancy that no amount of legislation can make benign!

some of the problem still survives. Mr. Lenihan is rightly indignant about them. But it requires more than indignation and more than an indiscriminate effort to make "debt adjuster" synonymous with "racketeer." It hardly seems reasonable to advocate burning down the whole building to get rid of the rats—unless, of course, you want to get rid of the building too.

The best answer to racketeering is proper cooperation between members of the entire credit community. Remember that none of the notorious "debt-adjustment" promoters could have established themselves except for the lax attitude of too many people in consumer credit. There are many instances in which members of our Association have helped to turn the searchlight on larcenous "debt adjustment" activities, often before they could get well under way.

#### **Assistance Rendered by Local Credit Bureau**

One outstanding case is that of the excellent job done in Chicago by the General Manager of the Credit Bureau of Cook County, Carl S. Hobbett. After receiving information which convinced him that an unscrupulous mushrooming organization was out to fleece the people in our city in wholesale numbers, he carefully ferreted out further evidence and then enlisted the aid of Chicago's hard-hitting Scotland Yard detail to "wrap up the case." The accumulated evidence was sufficient to get action by the District Attorney, a thirteen-count indictment and the elimination of the undesirable activity. This is a shining example of what can be done in any community by cooperating with vigilance and determination.

It was to combat racketeering and to foster a closer cooperation with the credit communities that the American Association of Credit Counselors was formed. It has established and published a code of operating rules, procedures, charges, and a yardstick of effectiveness which guarantee service and merit the attention of every person concerned with credit. By these standards, any debt-management operation can be appraised accurately and in short order.

High lights of this Code are condensed as follows:

1. Help maintain the best possible relations between every reputable credit grantor and his customer.
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6. Use all effort to take every case through to complete rehabilitation.
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salt can be provided anywhere for less. Debts which can be cleared up in less than 12 months and debts totaling less than \$700 usually do not warrant a management program. A considerable amount of free work on such minimum cases is performed daily by every member of the Association.

By the standards given, credit granters can separate the reputable from the fake. I have never known a credit manager or a loan manager who has cooperated fully with a responsible management service and who has not realized that there are definite advantages to be gained for his firm and for his customer.

To begin with, a good debt manager will have the cooperation of employers to help secure the job and the obligation. He will discourage and materially reduce bankruptcies and the almost-as-unsatisfactory Chapter XIII petitions. Any credit man who worked through the pre-war boom in Chapter XIII bankruptcies knows what I mean by "unsatisfactory." Further, a good debt manager will alleviate or remedy many of those cases of overindebtedness which the newspapers like to lay at the door of the credit family—referred to by Mr. Lenihan as "flyspecks on the consumer credit picture."

Take finally the dollars-and-cents results of good credit counseling. You will find that upward of 90 per cent of the families serviced will pay more on their obligations in any given period than they did before they sought assistance. Yet these same families, because of carefully supervised home budgets, feel that they actually have more money to live on.

What, then, is the real difference between the use of this same income before and after? The difference, of course, is management. And any family who needs a financial management program and uses it with good purpose will realize, in addition to all other benefits, a financial advantage greater than the cost of the program. If this statement is true, then there is no need for courts and charities to perform these services at public expense.

A full-column news story in the *Des Moines Tribune* of September 30, 1955, announced the plans of our Association for a full-scale open forum on a national basis to examine the increasing problem of family debt and the record of debt management in this field.

Such a conference should be held in the early future. Additional information may be had from Executive Secretary, Charles V. Neal, Jr., 413 Tenth Street, Des Moines, Iowa. ★★★

STATEMENT REQUIRED BY THE ACT OF AUGUST 24, 1912, AS AMENDED BY THE ACTS OF MARCH 3, 1933, AND JULY 2, 1946 (Title 39, United States Code, Section 233), SHOWING THE OWNERSHIP, MANAGEMENT, AND CIRCULATION OF  
The CREDIT WORLD, published monthly at St. Louis, Missouri, for October 1, 1955.

1. The names and addresses of the publisher, editor, managing editor, and business managers are:  
Publisher, National Retail Credit Association, St. Louis, Missouri  
Editor, Lindley S. Crowder, St. Louis, Missouri  
Managing Editor, Arthur H. Hert, St. Louis, Missouri  
Business Manager, E. E. Hannefin, St. Louis, Missouri

2. That the owner is: National Retail Credit Association, 375 Jackson Avenue, St. Louis 5, Missouri; Kaa F. Blue, President, Foundation Plan, Inc., New Orleans, Louisiana; W. C. Goodman, First Vice President, Reynolds-Penland Co., Dallas, Texas; Eldon L. Taylor, Second Vice President, Glen Bros. Music Co., Ogden, Utah; J. C. Gilliland, Third Vice President, Pullman Trust and Savings Bank, Chicago, Illinois; L. S. Crowder, General Manager-Treasurer, 375 Jackson Avenue, St. Louis 5, Missouri; and Arthur H. Hert, Secretary, 375 Jackson Avenue, St. Louis 5, Missouri. No stock. Official organ of the National Retail Credit Association.

3. That the known bondholders, mortgagees, and other security holders owning or holding one per cent or more of total amount of bonds, mortgages, or other securities are: None.

L. S. CROWDER, Editor  
Sworn to and subscribed before me this 21st day of September, 1955.  
Mary E. Riordan

(My commission expires May 18, 1957.)

# Caution vs. the Counterfeiter

**U. E. Baughman**  
**Chief, United States Secret Service**  
**Treasury Department, Washington, D. C.**

**T**WO MEN in a car stopped at a roadside stand in New York State to buy a peck of potatoes. The farmer who operated the stand put the potatoes in the automobile and one of the men handed him what appeared to be a ten-dollar bill. The bill was folded into a small square, so that the farmer saw only the numeral "10" in one corner. He shoved the bill into his pocket, gave the customer his change, and the men drove away.

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Thousands of other people—grocers, druggists, haberdashers, cashiers in theaters, restaurants and department stores—are victimized by passers of counterfeit money every year, mostly because these victims neglect to examine their money carefully.

In a way, of course, this is a great tribute to the United States Secret Service, which is responsible for the suppression of counterfeiting. You walk into a store, pay for a package of cigarettes with a five-dollar bill, and get four singles and some coins in change. You hurriedly check to see if you have four bills, and perhaps you count the change, but it probably never occurs to you that one bill or a coin might be counterfeit. The fact that you never have been stuck with a bogus bill doesn't mean that you cannot be. It happens every day.

During the fiscal year ending June 30, 1953, the Secret Service captured \$287,715 in counterfeit money. Nearly \$173,000 of this amount was actually passed on retail storekeepers. The balance was seized before the counterfeiters had an opportunity to circulate it. The total might have been much greater but for the fact that Secret Service agents captured 18 counterfeiting plants, 12 of which were put out of business before their operators could complete any counterfeit bills. All in all, agents arrested 188 people for violating the counterfeiting laws.

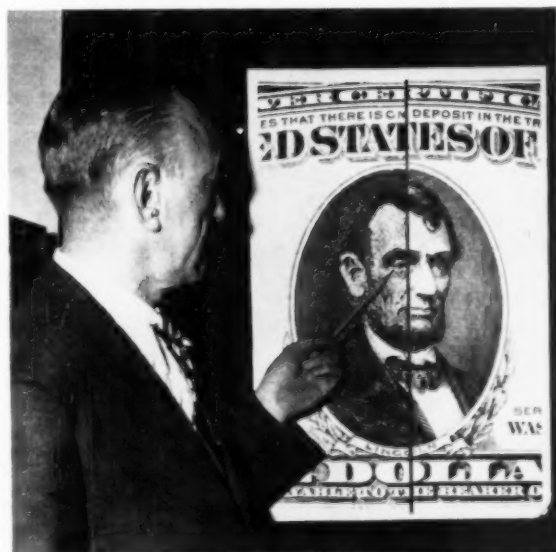
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Early in the Civil War it was estimated that about one-third of all the currency in circulation was counterfeit. At that time our money was printed by various banks in hundreds of different designs, and it was not until 1863 that the United States adopted a national currency and issued United States Notes, commonly called "greenbacks." This national currency was quickly counterfeited, and the counterfeiters circulated so extensively that the Government was compelled to take steps to protect its new money. Accordingly, the U. S. Secret Service was established July 5, 1865, as a bureau of the Treasury Department to suppress the counterfeiting which threatened to undermine the economic strength of the nation.

Today our paper money designs are standardized so that the various denominations may be quickly recognized by the oval portraits on their faces. For example:

|            |                |            |
|------------|----------------|------------|
| Washington | appears on all | \$1 bills  |
| Jefferson  | appears on all | \$2 bills  |
| Lincoln    | appears on all | \$5 bills  |
| Hamilton   | appears on all | \$10 bills |
| Jackson    | appears on all | \$20 bills |



**CHIEF U. E. BAUGHMAN** points to defective etching in eye of Lincoln on counterfeit half of composite portrait made from genuine and counterfeit \$5.00 notes. (This photograph is published by special permission of the Chief, U. S. Secret Service, Treasury Department, and reproduction of currency illustration, in whole or in part, is strictly prohibited.)

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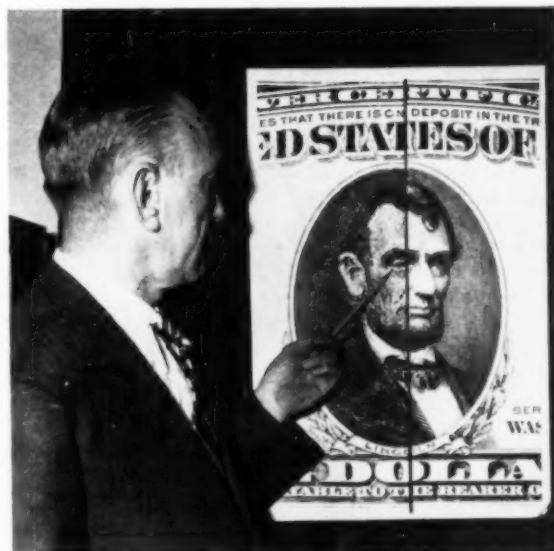
The crime of counterfeiting is one of the oldest criminal professions. The Emperor Nero is said to have been the first coin counterfeiter, although many European rulers of the past are known to have debased the coinage of their countries, and it is possible that Nero was merely following a pattern which had originated before

his time. When the Puritans settled in Massachusetts it was not long before they were making counterfeit wampum to fleece the unsuspecting Indians, and during the American Revolution the British dumped so many tons of counterfeit money into the country that the Continental currency soon became worthless. Even today, the expression, "Not worth a Continental" is used to denote worthlessness.

Early in the Civil War it was estimated that about one-third of all the currency in circulation was counterfeit. At that time our money was printed by various banks in hundreds of different designs, and it was not until 1863 that the United States adopted a national currency and issued United States Notes, commonly called "greenbacks." This national currency was quickly counterfeited, and the counterfeits circulated so extensively that the Government was compelled to take steps to protect its new money. Accordingly, the U. S. Secret Service was established July 5, 1865, as a bureau of the Treasury Department to suppress the counterfeiting which threatened to undermine the economic strength of the nation.

Today our paper money designs are standardized so that the various denominations may be quickly recognized by the oval portraits on their faces. For example:

|            |                |            |
|------------|----------------|------------|
| Washington | appears on all | \$1 bills  |
| Jefferson  | appears on all | \$2 bills  |
| Lincoln    | appears on all | \$5 bills  |
| Hamilton   | appears on all | \$10 bills |
| Jackson    | appears on all | \$20 bills |



CHIEF U. E. BAUGHMAN points to defective etching in eye of Lincoln on counterfeit half of composite portrait made from genuine and counterfeit \$5.00 notes. (This photograph is published by special permission of the Chief, U. S. Secret Service, Treasury Department, and reproduction of currency illustration, in whole or in part, is strictly prohibited.)

|           |                |                |
|-----------|----------------|----------------|
| Grant     | appears on all | \$50 bills     |
| Franklin  | appears on all | \$100 bills    |
| McKinley  | appears on all | \$500 bills    |
| Cleveland | appears on all | \$1,000 bills  |
| Madison   | appears on all | \$5,000 bills  |
| Chase     | appears on all | \$10,000 bills |

Most of us need be concerned only with the smaller denominations. However, despite the standardization of the portraits, the Secret Service has many cases in which criminals "raise" notes. That is, they alter the corner numerals and other features to make a \$5 bill look like a \$20 bill, or to make a one look like a ten. These "raised" bills are passed constantly, even though storekeepers could easily memorize the five portraits appearing on the lowest five denominations of genuine money, in which case a merchant would know that if he received a ten-dollar bill with the picture of George Washington, it was not a ten-dollar bill at all, but only a one which had been altered.

### **Carelessness in Handling Money**

The carelessness with which retailers handle money is very important to the passer of counterfeit bills. In the first place, the passer knows from experience that most money-handlers never give more than a passing glance to any bill. Second, the passer believes that even if a storekeeper did scrutinize a note closely he wouldn't be able to detect it if it was a counterfeit. Unfortunately this is true in most cases, because money-handlers as a rule will not take the time or effort necessary to learn enough about genuine bills that they might recognize a counterfeit if they saw one.

For example, one of the most difficult features of a good bill for a counterfeiter to imitate is the oval portrait. The portrait on a genuine bill is a masterpiece of the engraver's art. The fine shading in the face is made up of small lines and dots which are clear and distinct. The eyes look alive and clear. The background surrounding the head is composed of scores of criss-crossed lines which form small, clean squares like a fine screen. The entire portrait, border, and lettering are printed from steel-engraved plates of the finest workmanship.

Most counterfeit bills, on the other hand, are printed from copper or zinc plates which have been etched by acid, and which are inferior to the real thing. Accordingly, on most counterfeits the fine shading in the portrait is defective, the eyes are dull and without the luster of the genuine, and many of the little squares in the fine screen background will be filled with ink or have broken lines.

The border on the face and back of a genuine bill is made up of a network of white lines, like a fish net. Each line is complete and unbroken. On the counterfeit, however, some of these lines may be broken or even missing entirely.

Every genuine bill has a serial number printed in color in two places—at the upper right of the portrait, and at the lower left. On the genuine, these numbers are firmly printed and evenly spaced and aligned, but on most counterfeits one or more of the numbers may be crooked or out of line, darker or lighter than the genuine, and sometimes the numerals themselves are unlike the genuine numerals in design.

Every genuine bill also carries the Treasury seal in the same color as the serial numbers. The outer border of the seal consists of sharply pointed teeth, like the teeth on a circular saw. On the good bill these teeth are always sharp and clear. On most counterfeits they are dull, or blunted, or broken off.

There is the same difference between a genuine and a counterfeit bill that there is between an engraved business card and a business card which is lithographed or surface-printed, and the best way to tell the counterfeit from the genuine is to examine two together. That is, if you receive a note you think might be bogus, compare it with another bill of the same type and denomination. Like many twins, it is easy to identify one from the other when they are together.

You will note that I referred to bills "of the same type and denomination." The Government makes only three types of paper money—Federal Reserve Notes (which bear GREEN serial numbers and seal), United States Notes (with RED numbers and seal), and Silver Certificates (with BLUE numbers and seal). If you compare a suspected note with a known genuine note, be sure the types are the same, for a Silver Certificate is entirely different from a Federal Reserve or United States Note. The type of the note is also printed at the top of its face.

What should you do if a customer should hand you a counterfeit bill? Do these things:

1. Keep the bill. Do not return it.
2. Try to delay the passer through some natural excuse (such as having to get change next door, or from another part of your store).
3. Telephone your local police department immediately.
4. Avoid arguing with the customer. If necessary, say that the police will handle the matter.
5. If the passer leaves before police arrive, WRITE DOWN HIS DESCRIPTION.
6. If the passer gets into an automobile, look at the license number and WRITE IT DOWN.

### **Defense Against Crime of Counterfeiting**

Because the retail storekeepers of the nation are the usual victims of passers of counterfeit money, the storekeepers represent the first line of defense against the crime of counterfeiting. Their constant cooperation is of the utmost importance in the effective suppression of this crime. For their own good, and for the good of the country, the Secret Service urges them to know their money.

The Secret Service has published a 32-page booklet called "Know Your Money," which is filled with photographs and information about the detection of counterfeit bills and coins—and with advice as to how to avoid being victimized by forgers of Government checks. Copies of the booklet may be ordered direct from the Superintendent of Documents, Government Printing Office, Washington 25, D. C. The price is 15 cents per copy but a 25 per cent discount is allowed for quantities of 100 or more delivered to a single address.

With or without the booklet, it isn't too difficult for the average man to detect the average counterfeit bill. It means merely that he should examine his money with more care, searching for the defects that betray the bad. *In short, it means caution vs. the counterfeiter.* ★★★

# Three Approaches to Credit And Their Consequences

**S. Clark Beise**

**President, Bank of America, San Francisco, California**

PETROLEUM PRODUCTS are increasingly sold on a credit basis in spite of the Missouri man who doubted the wisdom of selling, on any but a spot-cash basis, a product that "took the feller away from here." Said he: "You sell him gasoline, but he buys power. And when the power's gone, he's gone too."

That may be true, but only as far as it goes. Use of credit for petroleum purchases is increasing on the basis of favorable experience. The man comes back, and pays his bill. From the banker's point of view, the petroleum industry varies only in detail from the pattern of any well-funded industry that manufactures its product, follows that product through to the consumer market, and assists the retailer with advertising, sales promotion, and credit.

The negative attitude of the man from Missouri is not one that can be copied by the modern credit manager, who is involved in competitive retailing and today is as important as the salesman in building the company's business. Nor does this wise credit manager go too far in the affirmative direction. An application for credit which develops negatives cannot have an affirmative answer, but it is to be noted that the negative is with the customer, not with the credit manager.

An affirmative attitude is not necessarily a liberal one, and this distinction is of great importance in the extension of credit. An affirmative attitude says: "We will extend you this credit if we possibly can, if we see that you can and will pay the obligation, and that it will be a good thing for you and for us."

The liberal attitude says: "Yes!" and encourages the customer to get into debt, and defers the problems of settlement until trouble develops at some future date. Therefore we have the three approaches to credit and their consequences: Negative credit policy—resentful customers, and impeded company growth. Liberal credit policy—one-time sales, controversies with customers, collection calls, lawsuits, "never again!" etc. Affirmative credit policy—healthy accounts, good-natured customers, and ever-increasing sales.

As a banker with an institution that has a large retail business in loans, this observer can say that the affirmative credit policy has produced a great volume of business for the bank itself, and may have contributed something to the petroleum industry by making it easier for more people to own automobiles and trucks, to take them "away from here" and to bring them back to pay the bills. And they do live up to their obligations, as our record shows.

It is well known that the bank referred to enjoys a handsome automobile loan business, making many new thousands of such loans every month. But at the end of February only six-tenths of one per cent of those loans were 30 to 65 days past due, and only three-tenths of one per cent were over 65 days past due.

The skilled men who make these loans for us work under these admonitions:

"Credit granting principles require that you know about the borrower, his or her family, income, position, and other confidential matters.

"You proceed patiently, diplomatically, thoroughly, and in confidence.

"Through you the credit world is meeting and finding out about this individual. You are putting down the first timbers of the foundation upon which the applicant will build his credit house.

"Let us appraise the high value of safe and sane granting of credit. Let us remember that an account properly opened is half collected.

"Our best and most reliable booster is the satisfied customer, for it is the satisfied customer who repeats year in and year out.

"So let us investigate carefully, impartially, counsel the applicant wisely, and never overlend. If we find the applicant cannot meet our credit requirements, let us tell him so politely and with tact. Some day he may be able to qualify. If he does, we want him to come back.

"Remember—it is the dissatisfied customer, the one who does not fulfill, that causes much trouble and expense and helps to break down good will."

It is pleasant for us in the banking side of credit to help in increasing petroleum's army of customers, and equally pleasant to receive daily bank deposits from so many friendly service stations. ★★★



**HEAR YE! HEAR YE!**

**The 42<sup>nd</sup> Annual International Consumer Credit Conference**

**JUNE 18-21, 1956**

**HOTELS JEFFERSON AND STATLER  
ST. LOUIS, MISSOURI**

# Three-Minute Egg

J. H. Jacobs

Credit Manager, The Boston Store, Columbus, Ohio

"How would you like to put credit on television?" the general manager of our department store asked me. "Fine!" I answered, and thus began a new era in our credit promotion program.

The store had contracted for considerable television time to be used for the Christmas season. The credit department was to be allotted three whole one-minute "spots" of TV time. These three spots were to appear the three Wednesdays preceding Christmas. They came, fortunately, when the viewing audiences were at their peak—in the evening immediately before important family network programs.

My first step was to plan the three credit "spots." Several days before I learned of the TV credit plans we had employed a particularly attractive young lady to interview credit applicants at our new suburban store. She was a girl of unusual charm and poise, highly photogenic, and in addition she spoke with almost flawless diction.

Casually, I asked her, "How would you like to go on TV?" "I think I might like it," she said simply, showing practically no fear.

With the TV studio we immediately proceeded to plan our credit presentation. Miss Swank was to be introduced by the local TV actor who was very well liked. "Now, friends," he said, "I want you to meet Miss Swank from the Boston Store who will tell you how *EASY* it is to open an account at the Boston Store." Miss Swank then proceeded to give the "pitch" with a big smile. As she extolled the many advantages of our merchandise coupon plan she pointed to a backdrop illustrating her statements. Then Miss Swank

mentioned a few special timely items that might be purchased with our credit book. Then as a finale, holding a blown-up coupon book, Miss Swank flashed a beautiful smile and as our minute faded away she said, "I'll be looking for you."

The response to our first effort was especially gratifying. Customers immediately began to exclaim, "There is the girl we saw on television." We had a lot of wholesome amusement in our credit office and we jokingly bragged that we had made Miss Swank a star.

For our second "show" we took another very attractive young lady from our downtown credit office, and made a similar appeal. Again our results were extremely good. We received large numbers of applications and opened many new accounts. In addition the telephones were kept busy answering queries concerning our credit plan.

Then for our third and final spot we decided to make some changes. Since we had already fully explained the operation of our credit system we adopted a more concrete approach for our last appearance. The local actor came on the set in the role of a Christmas shopper, heavily laden with attractively wrapped gifts. Breathlessly, he announced, "Look what I bought with my coupon book at the Boston Store!"

After making a final appraisal of television we concluded that in three times at bat we had scored three hits. The volume of our sales figures reflected this positively. The increase in new accounts proved conclusively that the three minutes had produced a golden egg for us.

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## CREDIT UNIONS

Who We Are—What We Do—How We Do It

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AT THE PRESENT time there are about 10 million Credit Union members in the U. S. and Canada, and we are still in our infancy. We have no quarrel to pick with any type or size of business, and we are not in competition with any kind of business or financial institution.

A Credit Union is merely a co-operative organization wherein any group of people with a mutual bond of interest have banded together, under a State, Federal or Provincial Charter, to pool their savings and make available to their own members credit cash for beneficial and worthy purposes.

A Credit Union is completely unique in its setup. Its purpose is solely to serve without profit, to give its individual members an opportunity to solve their own financial problems, and to create their own financial security.

Each Credit Union is a separate and distinct unit serving the needs of its particular group of members. It functions and operates by the voluntary services of its various officers and committees who are elected at

an annual meeting of the complete membership. As a rule, the only officer in a Credit Union who receives any pay or honorarium is the Treasurer.

Down through the ages credit has proved to be the lifeblood of business and industry. Credit Unions have simply pioneered the granting of credit to the individual who lacks security and collateral for loans from our regular banking facilities. However, since Credit Unions have come into being, many banks have established facilities for granting loans to the average working person.

While Credit Unions provide their members with a thrift and loan service that is more complete, convenient, and helpful than any other organization could provide, they fully realize the important aspect banks and other financial institutions have in our over-all economy. We fully recognize and appreciate the services these institutions render, and we do hope that friendly relations with them will always prove to be mutually desirable. *We are not in competition with anybody.*—Harry J. Franck, President, Baltimore Post Office Employees' Credit Union, Baltimore, Maryland.

# National Retail Credit Week—1956

**S**UNDAY, April 22, to Saturday, April 28, 1956, has been officially designated as *National Retail Credit Week*. This will be the third annual observance. It again offers the credit fraternity a golden opportunity to encourage the sound use of retail credit facilities as a means of enriching life and to highlight the prompt payment of all obligations as a part of good citizenship. Every community should participate in this event to the highest degree possible. Now is the time to start *planning and preparing*.

In 1955, almost 600 communities in the United States and Canada took part in this tremendously important concentrated emphasis on retail credit, with immeasurable and lasting benefit to credit conditions generally. We confidently believe that many more will do so in 1956. An imaginative program, adequately financed and directed by enthusiastic people, can stimulate credit sales, raise the prestige of the retail credit bureau, encourage better habits of payment of all obligations and place retail credit managers before the entire community in a new and more favorable light.

All local retail credit associations should immediately appoint *National Retail Credit Week Committees*. As soon as possible, each committee should prepare a complete and detailed program for the approval of the Association membership. A definite budget should be set up; this is essential for a successful program. Funds should be solicited from all retail merchants and firms in the area. Banks and wholesale firms should also be urged to contribute. Every business benefits from *National Retail Credit Week* and each should be permitted an active part in it.

Governors of states and Mayors of cities should be invited to issue *Proclamations* setting forth the reasons for the "Week" and urging citizens to take notice of it. This gives the observance the stamp of official approval, creates publicity, and heightens public interest. Here, for example, are the proclamations issued by Allan Shivers, Governor of the state of Texas, and by de Lesseps S. Morrison, Mayor of the city of New Orleans, Louisiana.

## Proclamation

### Greetings:

Credit plays an important role in the business, industrial, and cultural growth of our state as well as in the personal lives of our citizens.

The National Retail Credit Association has planned *National Retail Credit Week* for April 24-30, 1955, in order to emphasize the beneficial role which credit plays in our economy and in helping to maintain our high standard of living. The importance of maintaining good credit records and high credit ratings will be stressed.

THEREFORE, I, as Governor of Texas, do hereby designate the week of April 24-30, 1955, as

National Retail Credit Week in Texas

Allan Shivers (signed)  
21st day of March, 1955

## Proclamation

WHEREAS, Consumer Credit has come to occupy an important place in the nation's economy; and

WHEREAS, an increasing number of persons in all walks of life are availing themselves of the convenience and assistance afforded them in the acquisition and enjoyment of goods and services by credit arrangements of various kinds; and

WHEREAS, it is desirable and necessary that credit consumers be encouraged for their own benefit and for the soundness of the credit structure generally to use their credit wisely and pay all bills promptly:

NOW, THEREFORE, I, deLesseps S. Morrison, Mayor of the city of New Orleans, do hereby proclaim the period of May 9, 1954, to May 15, 1954, as:

## Retail Credit Week

and do earnestly request that every effort be put forth by all interested in consumer credit to:

1. Educate the public in the proper use of credit, as a relation of mutual trust, and to the value of establishing and maintaining good credit records.
2. Pay all bills promptly according to agreements.
3. Guard their credit as a sacred trust.

Given under my hand and  
the Seal of the City of New  
Orleans on this the 22nd day  
of April, 1954.

deLesseps S. Morrison  
Mayor

*National Retail Credit Week* opens with *Meet Your Obligations Sunday*. The moral and ethical aspects of retail credit make the active participation of all religious leaders particularly appropriate. When the deep implications are explained to these leaders they usually agree readily to devote part, at least, of their sermons on that Sunday to the theme of prompt and complete fulfillment of all obligations as part of the good life. Better cooperation is obtained when each individual religious leader is approached in person, and the purpose of the event carefully explained. Every effort should be made, well in advance, to gain the sympathetic understanding of these influential civic leaders.

The new N.R.C.A. 16 mm. educational motion picture film, "The Good Things of Life—On Credit," will be a powerful medium of publicity during *National Retail Credit Week* especially. Those communities owning a print of this film should arrange *now* for showings. Clubs, groups, and television stations usually plan programs far in advance and they should be contacted early to reserve the proper dates. Those communities not yet having invested in a print should seriously consider doing so. The production of this film was lauded as the most outstanding N.R.C.A. educational achievement in recent years. It tells the credit story with dramatic impact and human interest. Place your order with the National Office as soon as possible to avoid disappointment in receiving your print.

Store window displays, streetcar and bus advertising, television and radio resources, newspaper advertising, visits to the Credit Bureau are among the avenues of public information that should be considered in local planning. Personal appearances before all types of audiences, including, of course, students in high schools and colleges, should be arranged, in addition to the showing of the film.

A portfolio of helpful material is now being prepared for the use of local committees. This portfolio will contain a copy of N.R.C.A.'s new "Pay Promptly" advertising. The Chairman of each committee should write to the National Office asking that a portfolio be reserved for him.

**Plan and prepare now for maximum effectiveness.**

# CREDIT FLASHES

## ***New Position for Avery D. Arnold***

Avery D. Arnold is now retail credit manager in the Chicago, Ill., offices of Sterling, Inc., which owns and operates the four Good Housekeeping Shop stores of Chicago and the 16 Pearson furniture and music stores in Indiana. Five years ago, Mr. Arnold came to Pearson's from the general offices of the Finger Furniture Stores, Houston, Texas.

## ***New Guide on Cost of Soliciting Accounts***

A comprehensive guide to the cost of soliciting charge accounts by various methods is now available to department and specialty store executives. Entitled "Cost Control Manual for Charge Customers Solicitation Program," the analysis was prepared by the Department Store Division, A. J. Wood & Company, 1518 Walnut Street, Philadelphia 2, Pennsylvania. It is based on Wood's experience in soliciting over two million new accounts while working for more than 300 stores throughout the country. Write William Lindelow, Vice President, for a free copy of this guide.

## ***More Honors for W. J. Tate***

Canada's highest award in the field of credit, Fellow, Canadian Credit Institute, carrying the degree of F.C.I., has been conferred on William J. Tate, immediate past president of the National Retail Credit Association. The award was conferred by the National Council of the Institute at its annual meeting during a special convocation October 25, 1955, where Mr. Tate was the guest speaker. The entire membership of the Associated Credit Bureaus of Canada, Credit Women's Breakfast Clubs of Canada, and the Credit Granters' Association of Canada extend warmest greetings and heartiest congratulations to him on this well-merited recognition of his outstanding contribution to the cause of credit, both in Canada and the United States. His Fellowship certificate reads, in part: "... having been found worthy by virtue of distinguished and meritorious service in the mercantile and commercial life of his community and country is accepted and registered as a Fellow in the Canadian Credit Institute ..."

## ***Boston Credit Bureau Celebrates 25th Anniversary***

The Credit Bureau of Greater Boston, established by the merchants of Boston, celebrated its 25th anniversary at Schrafft's, September 29, 1955. The Retail Credit Association of Boston arranged the dinner meeting to pay tribute to the Credit Bureau and its employees. Frank Mullett, President of the Retail Credit Association, headed the committee to observe the 25th anniversary. John J. Canavan, Sr., is General Manager of the Credit Bureau.

## ***Educational Course at San Jose***

A course on Credits and Collections was started in San Jose, California, by the San Jose Education Department. V. W. Phillips, Credit Manager, Golden State Company, Ltd., and George Peacock, Manager, The Credit Bureau, are the instructors.

## **Coming District Meetings**

**District One** (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, Provinces of Quebec, New Brunswick, Nova Scotia, and Prince Edward Island, Canada) will hold its annual meeting at the Sheraton-Kimball Hotel, Springfield, Massachusetts, May 6, 7, and 8, 1956.

**District Two** (New York and New Jersey) and **District Twelve** (Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, and West Virginia) will hold a joint annual meeting at the Hotel Roosevelt, Pittsburgh, Pennsylvania, February 12, 13, and 14, 1956.

**District Three** (Florida, Georgia, North Carolina and South Carolina) and **District Four** (Alabama, Louisiana, Mississippi, and Tennessee) will hold a joint annual meeting at the Battery Park and George Vanderbilt Hotels, Asheville, North Carolina, April 15, 16, 17, and 18, 1956.

**District Five** (Kentucky, Michigan, Ohio, Ontario, Canada, Illinois, Indiana and Wisconsin, except Superior) will hold its annual meeting at the Commodore Perry Hotel, Toledo, Ohio, February 12, 13, and 14, 1956.

**District Six** (Iowa, Minnesota, Nebraska, North Dakota, South Dakota, Superior, Wisconsin, and Manitoba, Canada) will hold its annual meeting at the Hotel Savery, Des Moines, Iowa, March 11, 12, and 13, 1956.

**District Seven** (Arkansas, Kansas, Missouri and Oklahoma) will hold its annual meeting at the Allis Hotel, Wichita, Kansas, April 7, 8, and 9, 1956.

**District Eight** (Texas) will hold its annual meeting at the Stephen F. Austin Hotel, Austin, Texas, May 20, 21, and 22, 1956.

**District Nine** (Colorado, New Mexico, Utah, and Wyoming) will hold its annual meeting at the Broadmoor Hotel, Colorado Springs, Colorado, February 19, 20, and 21, 1956.

**District Ten** (Alaska, Idaho, Montana, Oregon, Washington, Provinces of Alberta, British Columbia, and Saskatchewan, Canada) will hold its annual meeting at the Olympic Hotel, Seattle, Washington, May 21, 22, 23, and 24, 1956.

**District Eleven** (Arizona, California, Nevada and Hawaii) will hold its annual meeting at the Hacienda Motel, Fresno, California, February 19, 20, 21, and 22, 1956.

## **Wanted to Buy**

Will invest \$3,000.00 to \$4,000.00 as down payment in successful Credit Bureau. Please submit all details in confidence to Box 11552, The CREDIT WORLD.

## **Help Wanted**

Mid-western bank wants man, under 30, with experience as credit manager or assistant in medium-sized department store, to operate its retail charge account service. Salary open. Box 11551, The CREDIT WORLD.

### **North Central Petroleum Group Formed**

Credit representatives of 17 petroleum companies met in Omaha, Nebraska, recently to service the north central states. Officers elected are: V. H. Gibson, Skelly Oil Co., Kansas City, Mo., President; J. Geddes, Pure Oil Co., Minneapolis, Minn., Vice President; regional Vice Presidents, A. C. Thornton, Socony Mobil Oil Co., Denver, Colo.; F. L. Browne, Deep Rock Oil Co., Omaha, Neb.; and Secretary-Treasurer, A. M. Hammond, Continental Oil Co., Kansas City, Mo.

### **New York Scholarship Awards**

The educational committee of the Credit Bureau of Greater New York is issuing two awards to students of City College courses in Retail Credit and Collection Management. The recipients of the awards are to be chosen by Albert S. Kleckner, Chairman of the Educational Committee who is also the instructor in the course and Credit Manager, Namm-Loeser, Brooklyn. The outstanding student in the class each semester is to receive a \$50.00 savings bond and the runner-up a \$25.00 savings bond.

### **Credit Education in Wilmington, Delaware**

The Credit Granters Association of Wilmington, Wilmington, Delaware, has purchased the film "The Good Things of Life on Credit," from the National Office and it is getting a good reception in the city. They have shown it before the Kiwanis, Rotary and Lion Clubs and it is scheduled for other civic clubs. It was also shown at one of the high schools and at the annual dinner meeting of the Credit Granters Association. They are writing all the clubs, organizations and schools of Wilmington telling them that the film is available for showing and offering to supply a projector and operator when necessary.

### **V. E. Svendsen in New Post at Godchaux's**

Vern E. Svendsen has been appointed merchandise manager of accessories at Godchaux's, New Orleans, Louisiana, succeeding Thomas Godchaux who is continuing as vice president of the firm. Mr. Svendsen has been credit manager of the store for the past ten years.

### **Clifford E. Davis**

Clifford E. Davis, 82, Office Manager, Sterling Orr Company, Springfield, Massachusetts, died suddenly at his home recently. He had been a member of the firm for the past 25 years and was an honorary life member of the National Retail Credit Association. He had lived in Springfield for 45 years.

### **Retailers in Cook County Adopt Credit Code**

A standard of practices to eliminate abuses in credit transactions has been adopted by the Retail Credit Association of Cook County, Chicago, Illinois. One of the aims of the new standards is to eliminate "padding" after a consumer contracts for a purchase in the installment plan. The association's members include all of the major department stores as well as leading furniture firms, shoe stores, clothing firms, etc. The 10-point program was approved by the board of directors of the association after two years of study. Here is one of the pertinent sections of the standards recommended by the group: Section 7 says (stores should) "complete all papers, such as contracts, agreements, statements, notes, assignments, etc., before the customer signs them, and to furnish copies of such instruments or a full explanation of them."—*Women's Wear Daily*.

### **Annual Meeting at Wilmington, Delaware**

At the annual dinner meeting of the Credit Granters' Association of Wilmington, Wilmington, Delaware, new officers were installed for the coming year. For the first time in the history of the organization the honors of vice president went to a woman. The officers and directors include: President, John C. Cunningham, Strawbridge and Clothier; Vice President, Mrs. Ruth Goldstein, Goldsteins; Secretary, A. J. King, Kennard-Pyle Company; and Treasurer, C. P. Sayles, Alexander H. McDaniel's Inc. Directors: R. C. Cook, Storm's Shoes; Mrs. J. Jacobs, Jacobs Fuel Oil Company; and George Reed, Hurley Powell Company.

### **Annual Meeting at Sioux City, Iowa**

At the annual meeting of the Sioux City Retail Credit Association, Sioux City, Iowa, the following officers and directors were elected: President, Lawrence Slotsky, Credit Bureau of Sioux City; Vice President, Wallace Arney, Belkin's; Secretary, Alta Donlen, First National Bank; and Treasurer, Tillie Samore Helmers, Montgomery Ward. Directors: Dora Belitz, H. & H. Shoes; and Dean J. Addison, Mahoney's.

### **New Officers at Louisville, Kentucky**

The new officers of the Retail Credit Managers' Association, Louisville, Kentucky, are: President, Mrs. Doris Vogel, Kaufman Straus Company; Vice President, Ted Stanley, Norton Memorial Infirmary; and Secretary-Treasurer, Carson L. Bard, Credit Bureau of Louisville. Directors: A. L. Haynes, Donaldson Baking Company; Dewey Lindsey, Ewing Von Allmen Dairy Company; Russell Pirkey, Lincoln Bank and Trust Company; Mrs. Mabel Sproehle, Besten and Langen Company; Bernard A. Straus, Simmonds; and B. W. Webb, Liberty National Bank and Trust Company.

### **Harry W. Campbell Celebrates 25th Anniversary**

Harry W. Campbell, Secretary, Associated Retail Credit Managers of Columbia, Columbia, South Carolina, recently celebrated his 25th year as manager of the Credit Bureau of Columbia. In 1928 he helped organize the Merchants Retail Credit Company and in 1934 the name was changed to Credit Bureau of Columbia. In its new quarters in the Security Federal Building approximately 25 employees tend to the large volume of reports furnished to the membership of the association. He is President of the Credit Bureaus of South Carolina; Secretary Treasurer of the Columbia Auto Exchange and Vice President of the North Columbia Business Men's Club.

## **What Do You Think?**

EACH YEAR we assemble the thinking of the leaders in the retail credit field concerning the most important credit problems confronting us in the year ahead. The comments of credit executives, credit bureau managers, and top management have come to be regarded as most helpful in assisting retail credit sales managers to chart their course in the new year. We invite you to contribute your thoughts to this symposium. Send your comments to the National Office. Replies will appear in the January and February, 1956, issues of THE CREDIT WORLD.



## Newspapers and Publishers QUESTION

**What is the best procedure in extending credit to a new corporation of a service nature whose assets are mainly furniture, fixtures, and a nominal amount of cash?**

### ANSWERS

**A. W. Blieszner, The Pittsburgh Press, Pittsburgh, Pennsylvania:** If such a corporation requests an ad to be published immediately, we request cash-in-advance until we have had sufficient time to process the credit application and make a decision as to whether or not we will extend credit. Our procedure varies depending upon information disclosed by credit investigation. The credit application gives us antecedent information on the officers or principals; such as, experience in that particular line of business, former business connection, residence address, etc., then we request a credit bureau report on the individuals. If the personal paying habits, character reputation, etc., are good, we may decide to "gamble" a limited amount of credit on an "ad to ad" or "weekly billing" basis, explaining to the advertiser that, because of the lack of tangible assets in the new corporation, credit is being extended on a trial basis and the continuance of this credit extension will depend on his paying our invoices promptly. These accounts are boldly marked with a large red "W" indicating that they are to be watched closely and anybody handling the ledger card, including the bookkeepers, are to refer it to the credit department the minute any irregularity is noticed. If we cannot get enough good information on all the officers but one of them has some personal worth, such as property in his own name, we usually request that individual to give us his personal written guarantee assuming responsibility for any debt incurred by the new corporation. If we decide that the information we have obtained does not warrant extension of credit to the new corporation, we may suggest they give us a cash deposit to be held in escrow sufficiently large to cover several weeks' billing, which gives them the convenience of "weekly billing" without our taking any possible risk.

**Mrs. Daisy H. Dever, Greensboro News Company, Greensboro, North Carolina:** The policy of our company in extending credit to a new corporation of a service nature whose assets are mainly furniture, fixtures, and a nominal amount of cash is to first obtain an up-to-date Standard Credit Report. If this appears favorable, although we realize the firm is undercapitalized to begin with, I discuss it with the salesman assigned

to handle the account. He is advised not to suggest a long-term contract (usually three months), then a credit limit is placed on the account and we keep him on a strictly thirty-day basis.

**Henry G. Baker, The Daily Oklahoman, Oklahoma City, Oklahoma:** We would set this corporation up on a weekly basis, with a limited credit of approximately \$200.00, with the understanding that accounts are net and payable within ten days from date of billing. We do this with many new businesses. If they are good and want to use from \$800 to \$1,000 per month in advertising, they can do so by paying their bill promptly. If they should turn out to be sour, they can be stopped in two weeks. If they were set up on a 30-day basis and not limited, we could lose \$1,000.00 before the first billing date. If the people involved in this corporation are well known to us, it might make some difference as to the amount of credit extended and whether it is set up on a weekly or monthly billing. However, we have assumed that this is an entirely new setup and that little is known of their business ability.

**A. L. Jilly, The Peoria Journal Star, Peoria, Illinois:** With new accounts that fall into this category and which will use more than five inches of space per week, it has been our policy to suggest that the account be billed and paid weekly. If a large opening ad precedes the regular schedule, we usually ask that it be paid for in advance. We have found that in most cases this is accepted without any question as part of the opening expense. Successive ads are billed at the basic rate adjustment credit for volume, shown on the last bill for each month. If, after a prompt-paying record has been established for several months, we are asked to bill monthly, we usually do so.

**A. R. Peterman, Cleveland Plain Dealer, Cleveland, Ohio:** It is our policy to get a special retail credit report immediately on the officers of the corporation and if the credit records of the individuals warrant extension of credit we will then start them on a weekly account. If, on the other hand, the credit and moral risk of the individuals of the corporation is such that it does not warrant an account, we put it on a cash basis, or in some instances we have made them put up a deposit. We have quite a few employment agencies that fall under this category and we have had success in handling them in the above manner.

**Frank A. Schnell, Olean Times Herald, Olean, New York:** Such a case presents a problem which, if not diplomatically handled, may backfire. With a new corporation, ability to pay bills depends on its

ability to make money. This new corporation, if successful, may develop into a valuable account; however, if it does not make money the granting of credit over a period of time may result in a serious loss. If the risk looks morally good and provided there are no bad records involved, we put the new company on a weekly basis. Advertising for the week is billed on Monday and this advertising is due and payable by the end of the week following the week in which the advertising is run. The bill must be paid by the end of this week; if not, the advertiser gets no more credit. In this instance, the paper stands to lose no more than a two-week bill. On the other hand, the investigation may result in the corporation's being put on a cash-with-order basis, or contrariwise even on a monthly basis. Whatever basis the new account is put on, a letter of welcome is sent in which the terms are defined and the wish is expressed that the customer's investment in advertising in the publication will be a profitable one.

**Royce Sehnert, The Wichita Eagle, Wichita, Kansas:** We contact the State Corporation Commission for a list of name and addresses of the officers and directors of the new corporation, also amount of capitalization. Then a credit report is secured from this list. From these reports and a study of the character of the business we make our decision as to whether the account should be opened, unlimited, limited, or declined.

**G. W. Sites, Los Angeles Times, Los Angeles, California:** If a credit manager is inclined to extend credit to a new corporation with only nominal cash, furniture and fixtures as assets, it would seem advisable to limit the terms as well as the extension; weekly instead of monthly. A careful study of the possible future success of the debtor might justify a reasonable risk. Continuing guarantees or other security might be considered, but the fact must not be overlooked, financing rather than credit is the main factor.

## Public Utilities

### QUESTION

*Because more accounts are becoming past due a greater number of collection notices are necessary. Studies made some years ago indicated that such added effort rarely pays, the majority of these customers being the more stable and permanent type. Do the members of the Panel agree with this today?*

### ANSWERS

**C. A. Burns, Union Electric Company of Missouri, St. Louis, Missouri:** Although studies made years ago indicated that increasing collection notices was not a fully satisfactory answer to treating additional numbers of past-due accounts, particularly when directed to older customers, I believe we will all agree that we cannot afford to ignore these "new" delinquencies completely. Unless some action is taken to let the customer know that we are aware of accumulating bills, we are taking no steps to protect our accounts receivable. In addition to this, we should give some consideration

to the customer and, in my opinion, we do not give him that consideration if we take no action and lead him to believe that he can ignore the increasing delinquency of his account. Since we have no crystal ball with which to foresee how many of these customers will ultimately pay up if not reminded of their obligation, we can expect to receive some adverse reaction to collection notices. If most of the increasing numbers of past-due accounts are to be found among the older, more stable customers, it follows that most collection action will be mild—at least at the start of the delinquency. If drastic action is restrained, and used only when no other course is feasible, then adverse reaction will be held to a minimum. I believe it is incumbent upon us to consider our other customers (always in the majority) who do pay their bills, either on or before the due date, or with a reasonable promptness month after month. If we permit other accounts to accumulate arrears, which may ultimately end up in losses, it will be the good-paying customers who have to absorb those losses.

**J. R. DiJulio, Department of Lighting, Seattle, Washington:** The question of mailing a greater number of collection notices, due to an increased number of accounts becoming past due, is a problem we have given considerable study and, after completing same, have come to the conclusion that any increased number of collection notices does not pay. We have reached this conclusion after a check of statistics proved that a certain number of customers automatically carry one item in arrears continually. In other words, upon receipt of their second bill they pay their previous bill. Another large number of customers pay their current bill just prior to the second billing and, in a number of these cases, pay it a day or two late, thus permitting the new bill to carry this unpaid item although payment may be on its way. Up to June, 1955 we were mailing customers an enclosure notice with their second bill followed by one reminder and a second final notice. On June 1, 1955 we adopted the policy of sending the enclosure notice with the second bill followed by a final notice. We have not yet had sufficient experience to indicate results but the reaction of customers has been such that we find reducing to just one follow-up notice has brought no adverse criticism. It is our opinion that an enclosure notice with the second bill followed by a single final notice is all that should be required.

**J. K. Jordan, Michigan Consolidated Gas Company, Detroit, Michigan:** The question says, in part, that additional collection notices mailed because of the increase in arrears rarely pay, due to the fact that the majority of these customers were the more stable and permanent type. We find little in our records to substantiate this statement. Discontinuance notices, of course, serve a legal function and must be served prior to discontinuance action. Consequently, discontinuance notices and the number of meters locked bear a direct relationship to one another. On January 1, 1955, however, the requirements for a discontinuance notice were changed from two months' arrears totaling \$5.00 to two months' arrears totaling \$8.00. Consequently, our collection action in terms of meters locked for nonpayment has increased while the number of notices mailed has

decreased, if 1955 is compared to previous years. It was formerly our experience that 80 per cent of the customers whose service was discontinued for nonpayment would have service restored within five days. Recent spot checks lead us to believe that the proportion of customers who have service resumed in five days has reduced considerably, now being less than 50 per cent. Thus, it would seem that these are not "more stable and permanent type" of customers, but rather a marginal type whose obligations finally exceeded their ability to pay. There appears to be an inclination to permit small bills to accumulate. Consequently, our experience in reminder notices is in inverse ratio to total gas arrears. Without comprehensive statistical studies, it would be impossible to evaluate accurately the records available for this purpose. The thoughts expressed are merely opinions based on a quick survey of available statistics.

**J. A. Lopez, The Pacific Telephone and Telegraph Company, San Francisco, California:**

It is first necessary to determine if the larger outstanding is potentially good or bad money. This, of course, will require a knowledge of economic conditions, both generally and for the particular customers involved. In other words, if the delinquencies are for those of good character and history, there is little to worry about. The reverse is true if the accounts are of short age, with little known about them or what we do know is definitely bad. A careful screening of such accounts is necessary to a balanced job—from both the customer viewpoint and that of the company. Naturally we are anxious to avoid customer irritation and expense. On the other hand, we are impelled to separate the bad risks in the interest of saving larger uncollectibles. All of this, of course, has to be tempered with reasonableness, reasonableness in the degree to which we may carry such accounts and reasonableness in our relations with those customers. While it may appear trite, we do owe the general public a degree of uniform treatment. It seems to me it would be wrong for a utility to carry some accounts consistently for a longer period than is done for the general public. It would also be wrong for a utility to prejudice its own rate structure in the favor

of a few customers by incurring additional expenses by reason of increased losses for the few. So now we have two questions: Should we take a calculated risk for the increased number of past-due accounts, even at the sacrifice of increased losses? Should we spend the time and money to treat these accounts in the interests of uniformity? My answer to both questions is to do the reasonable at all times. While not intended as advertisement, we have had considerable success in meeting the condition by a friendly telephone conversation with the customer to discuss the delinquency and seek a common solution. We call this an educational treatment. In it we simply draw attention to our normal payment terms and the expectancy for all customers to meet these terms. We also try to find out how temporary the condition may be and arrive at a mutual agreement as to the future. During this call we try to avoid any reference to the penalties, but rather attempt to point out the reasonableness of our expectancies and request their cooperation. I am pleased to say that we usually get it.

**R. B. Mitchell, The People's Gas Light and Coke Company, Chicago, Illinois:**


The fact that more accounts are becoming past due does not necessarily mean that a greater variety of collection notices is required. The usual number of notices employed by a particular company should suffice. There have always been the more difficult customers who will not respond to notices. Naturally, there will be an increase in the number of customers of this type when there is an increase in over-all delinquencies. Some kind of added collection effort is necessary to effect collection of these accounts. Whether it be additional notices, form letters, telephone activity, personally dictated letters, or field activity depends on cost vs. results. Only individual company experience can dictate the best course.

**J. V. Nolan, Rochester Gas and Electric Corporation, Rochester, New York:**

With the increasing cost of labor and materials, it is an economic necessity for us to eliminate all unnecessary notices and collectors' calls. This can be accomplished by a better selection of past-due customers for collection activity. We code our accounts A, B, and C, and notices are released on the basis of the customer's paying habits. Thought should also be given to the minimum amount of the customer's account to be processed for collection. We are a combination company and our collection minimum is \$10.00. A study of the amounts charged off, the cost of collection per account, and local economic conditions will assist in determining the minimum amount.

**H. P. Rabey, Savannah Gas Company, Savannah, Georgia:**

Public relations suffer when customers receive reminders and/or final notices for bills they will pay before the second cycle bill is rendered. Early this year we discontinued all notices on one month's service bills rendered to residential accounts. There has been no change, percentage-wise, in the number of accounts transferred forward to new billing since omitting notices on one-month bills.



1 inch  
"Reverse"  
\$1.00

3/4 inch  
"Reverse"  
75¢

3/4 inch  
"Open"  
75¢

## Emblem E l e c t r o s

Order from  
**NATIONAL RETAIL CREDIT ASSOCIATION**  
375 Jackson Ave. St. Louis 5, Missouri

# A New and Powerful CREDIT EDUCATIONAL MOTION PICTURE

THE GOOD THINGS OF LIFE—ON CREDIT, a 16 mm. 25-minute black and white motion picture is now ready for immediate distribution. This retail credit educational film will have immense influence on the betterment of consumer attitudes throughout the North American Continent.

Here is a scene from the picture in which an average American couple discuss their credit requirements with a friendly and cooperative credit sales manager.



Audiences who have seen the film are unanimous in their praise for the skillful and dramatic way in which the theme of the motion picture is developed and presented. Attention is held as the story unfolds the benefits of BUYING WISELY—PAYING PROMPTLY. Here are a few of the many comments concerning the film received at the National Office:

"The film, *The Good Things of Life—on Credit*, was shown at the monthly meeting of the Retail Credit Granters of Alameda County on April 21, 1955. We had an attendance of 102. The film was most enthusiastically received. The other film purchased by N.R.C.A. District Eleven has been sent to Los Angeles for use in the southern part of the District. I have received a request from San Jose for the film to be shown there on May 4, 1955. The film tied-in nicely with National Retail Credit Education Week." *Ray C. Edwards, Smith's, Oakland, California, President, N.R.C.A. District 11.*

\* \* \*

"We had our first showing of N.R.C.A. motion picture film, *The Good Things of Life—on Credit* Wednesday, April 20, 1955, at a special meeting attended by about 35 members. All were delighted at the quality and entertainment value of this film. The message it presents is entertaining and intelligently handled. It is the opinion of our group that this is one of the best things N.R.C.A. has done. The film is to be shown on Channel 6 on April 23, 1955 and on Channel 13, May 3,

1955. Also, we plan to present the film to the Lions Club and to the Woodfords Club, the latter composed of the leading businessmen of Portland, Maine. We are working on several other bookings and we know that this film will be seen by thousands of persons in this area in the next few months. We are enthusiastic in our praise of N.R.C.A. for having furnished this excellent means of reaching the general public with our important message." *William J. Foley, Executive Secretary, Credit Bureau of Greater Portland, Inc., Portland, Maine.*

\* \* \*

"On Thursday noon, April 21, 1955, at a special luncheon, twenty of our downtown credit managers previewed the film, *The Good Things of Life—on Credit*. Without exception, they were highly pleased with the human interest story and the educational message on consumer credit it depicts. As a result of their enthusiastic reception of this motion picture, we are already answering inquiries concerning dates available for showing. We congratulate N.R.C.A. for a job well done. Our check for \$150.00 enclosed." *R. O. Gaudlitz, Manager, Springfield Credit Bureau, Inc., Springfield, Illinois.*

Every local retail credit association, in cooperation with the credit bureau, should consider purchase of this film as a profitable investment in consumer credit education. Its acquisition will have limitless possibilities in informing the public generally about credit and stimulating them to use credit wisely and to meet their obligations promptly. Your community should own a print of this outstanding credit educational film. Order one now. Price, \$150.00.

**NATIONAL RETAIL CREDIT ASSOCIATION**  
375 JACKSON AVENUE ST. LOUIS 5, MISSOURI

CREDIT WORLD 25  
NOVEMBER 1955

# CREDIT DEPARTMENT

## Letters

**LEONARD BERRY**

**S**OME MANAGERS of credit sales are recognizing the enormous potential for profitable credit sales that exists in the large group of young people arriving at the age of independent buying. These credit executives know that here is an immense opportunity, not only for current sales, but also for building for the store strong ties of friendship that will endure for years.

Credit sales promotion efforts are largely directed to the well-established person who has several accounts in good standing at other stores. This is the individual who has obviously, over the years, developed set shopping habits. To win him or her away from other stores is a challenge, to be sure, but often it is unsuccessful. Perhaps we could spend the credit sales promotion dollar to better advantage.

From the viewpoint of possible sales volume, the most desirable new credit customer to acquire is the one who has no accounts elsewhere. When we capture that person's loyalty, a greater part, if not all, of her purchasing power becomes ours. And this absence of trade references, surely, is a characteristic of the young stenographer, secretary, or industrial worker just entering the ranks of those gainfully employed. They have not had time to develop lengthy credit records!

According to the editor of *Seventeen* magazine, half of all brides are 20 years old or younger. More girls marry at age 18 than at any other age. Every third bride is a teen-ager. Thus, the teen-ager is not only an immediate prospect for purchases; she will control substantial buying power in the near future when she becomes the purchasing agent for a family unit.

Young people are in the acquisitive stage of life—the period of accumulation. This is the time when they especially appreciate flexible credit arrangements that enable them to acquire more of the good things of life and pay for them out of income while enjoying their use. Also, they are responsive to the implied compliment when credit facilities are *offered* to them.

Given the necessary guidance in wise management of income and education about meeting obligations promptly, young people usually turn out to be keenly conscious of credit responsibilities and successfully budget their income so payments can be made on time. In this connection, the N.R.C.A. educational booklet, "The Good Things of Life—On Credit" has great significance.

The editor of *Seventeen* points out that it is important to treat these young people with dignity and consideration. Any suggestion of condescension or undue "lecturing" will be resented and will drive them to more understanding stores. They must be treated as customers and given the utmost in thoughtful and helpful service.

In the discussion sessions at several credit conferences and credit schools, these assertions have been supported

by the actual experience of many credit executives. However, someone present invariably asks about the credit losses that occur with accounts for young people. The answer is always the same; credit losses are, if anything, somewhat lower than on so-called "regular" accounts. And the lasting loyalties that result from demonstrating confidence in these young people ensures substantial and profitable sales volume for decades to come.

One interesting angle brought out at meetings when this subject is discussed, deals with the authorization of purchases. Since quite a good deal of their shopping is done on lunch hours, speedy and accurate credit authorization is essential. Not only is this a matter of completing the sale rapidly so they can return to their jobs, but any undue delay is considered to be a reflection on credit responsibility on which point they are exceptionally sensitive. Perhaps here is a worth-while credit sales promotion suggestion for consideration when planning direct mail credit sales campaigns.

### This Month's Illustrations

Our illustrations this month are from a variety of stores and firms selected to show the increasing use of printed forms for common credit department situations. It has been said before in this department that important economies can be effected by the substitution of such printed forms for more expensive processed letters and at the same time suffer no loss of customer good will. Space limitation permits comment on only two of the illustrations.

In connection with Illustration No. 5, S. J. Nicely, Credit Manager, Miller's, Knoxville, Tennessee, when he sent the form to us, wrote: "Here is a form we have been using for three years. When filing a new ledger sheet this form is dropped in the pocket and is mailed with the first statement. It is inexpensive—takes little time and involves no extra mailing cost. We think that it is a valuable good-will builder."

Illustration No. 6 was sent to us by J. R. DiJulio, Credit Manager, Department of Lighting, Seattle, Washington, in connection with his contribution to the Credit Clinic feature but could not be used there. We thought it would be helpful to our members to show it here as an example of up-to-date public utility collection procedure. Mr. DiJulio encloses this notice with the second bill where payment has not been forthcoming.

**WE AGAIN** appeal to our members to send copies of the forms and letters used in credit and collection work for possible publication in this department. In any event, these letters and forms become part of our widely used Letters Scrapbooks. Your cooperation will be greatly appreciated.

①

*Information please . . .*

Will you kindly let us know when we may expect a payment to balance your account?

A prompt reply will be appreciated.

Very truly yours,

ROCHSCHILD, KOHN & CO.

**THE DAILY TIMES HERALD**

*First in Dallas — and Growing*

CLASSIFIED ACCOUNTING DEPARTMENT

HERALD SQUARE  
DALLAS, TEXAS

④

Dear Advertiser:

\$

It's only human to overlook a bill now and then—and probably that's what happened to the statement of your classified advertising account.

We know you'll respond to this note in the same friendly spirit in which it is written, and that your check will be mailed within a day or two.

If you like, we will have one of our representatives call for your payment. Phone RI-4355, Station Nos. 233, 234, 235, 238 or 322.

Sincerely yours,

THE DAILY TIMES HERALD

*R. K. Kuntz*

Classified Accounting

*Just an appreciation note*

②

for your patronage and a friendly reminder of the balance carried forward on your statement.

Possibly you mailed your check after the billing date of your account, and the payment could not be shown until your next statement. If such is the case, please accept this note as an expression of our thanks.

WEINSTOCK - LUBIN & CO.

*With pleasure we present your first statement from Miller's - - - Thanks for the opportunity*

⑤

*New accounts are as essential to us as new crops to the farmer and new designs to the manufacturer.*

*We cherish the past but we cannot live there.*

*Realizing these basic facts we dedicate ourselves to the task of giving you good merchandise and service. When we fail, tell us. We shall do our best to merit your patronage and goodwill always.*

*Miller's*



*may we suggest*

③

YOUR CHARGE ACCOUNT AT OUR STORE CAN BE OF REAL SERVICE TO YOU AS YOU ARE SHOPPING FOR CHRISTMAS.

THE TEMPORARY RESTRICTIONS NOW PLACED UPON YOUR ACCOUNT WILL BE REMOVED PROMPTLY UPON RECEIPT OF THE AMOUNT INDICATED BELOW.

WHY NOT USE YOUR ACCOUNT NOW?

SHOP  
for  
CHRISTMAS  
at  
**Parks-Chambers**  
43 PEACHTREE STREET  
ATLANTA, GA.

PLEASE DETACH AND RETURN WITH YOUR REMITTANCE

**Parks-Chambers**  
43 PEACHTREE STREET  
ATLANTA, GA.

PLEASE FREE MY ACCOUNT FOR CHRISTMAS SHOPPING  
MY REMITTANCE OF \$\_\_\_\_\_ IS ENCLOSED

\$\_\_\_\_\_ PART DUE

\$\_\_\_\_\_ BALANCE FROM LAST STATEMENT

**THE CITY OF SEATTLE  
DEPARTMENT OF LIGHTING**

⑥

Dear Customer:

At the time your statement was prepared your account carried a past due item. Your electric bill becomes due upon receipt of same and is delinquent ten days thereafter.

Electric service is important and believing you want uninterrupted service, payment of your account must be made immediately.

It is possible that your payment has been forwarded, but had not been received before the billing date. If so, please disregard this notice.

SEATTLE CITY LIGHT

**PROMPT PAYMENT HELPS MAINTAIN LOW RATES**

comparative

# COLLECTION PERCENTAGES

September 1955 vs. September 1954

| N.R.C.A.<br>DISTRICT<br>and<br>CITIES | DEPARTMENT STORES<br>(Open Accounts) |      |      |      |      |      | DEPARTMENT STORES<br>(Installment Accounts) |      |      |      |      |      | WOMEN'S SPECIALTY<br>STORES |      |      |      |      |      | MEN'S CLOTHING<br>STORES |      |      |      |      |      |
|---------------------------------------|--------------------------------------|------|------|------|------|------|---|------|------|------|------|------|-----------------------------|------|------|------|------|------|--------------------------|------|------|------|------|------|
|                                       | 1955                                 |      |      | 1954 |      |      | 1955  |      |      | 1954 |      |      | 1955                        |      |      | 1954 |      |      | 1955                     |      |      | 1954 |      |      |
|                                       | AV                                   | HI   | LO   | AV   | HI   | LO   | AV  | HI   | LO   | AV   | HI   | LO   | AV                          | HI   | LO   | AV   | HI   | LO   | AV                       | HI   | LO   | AV   | HI   | LO   |
| Boston Mass *                         | 42.5                                 | 49.6 | 36.4 | 40.4 | 49.2 | 23.2 | 11.7  | 14.1 | 6.8  | 10.9 | 13.0 | 7.8  | —                           | —    | —    | —    | —    | —    | —                        | —    | —    | —    | —    | —    |
| Portland Me                           | 56.5                                 | 63.4 | 49.6 | 58.2 | 59.7 | 56.8 | 17.2  | 18.6 | 15.8 | 15.4 | 15.9 | 15.0 | —                           | —    | —    | —    | —    | —    | —                        | —    | —    | —    | —    | —    |
| Providence R I                        | 47.9                                 | 50.4 | 43.7 | 45.5 | 48.2 | 42.0 | —   | —    | —    | —    | —    | —    | —                           | —    | —    | —    | —    | —    | —                        | —    | —    | —    | —    | —    |
| Springfield Mass                      | 59.2                                 | 59.6 | 58.8 | 63.4 | 64.8 | 62.0 | 24.8  | 28.5 | 21.0 | 24.6 | 32.2 | 17.0 | —                           | 64.4 | —    | —    | 66.0 | —    | —                        | 52.8 | —    | —    | 50.4 | —    |
| Worcester Mass                        | —                                    | 46.8 | —    | —    | 48.4 | —    | —   | 21.2 | —    | —    | 20.7 | —    | 53.4                        | 56.9 | 50.0 | 52.5 | 55.9 | 49.0 | —                        | —    | —    | —    | —    | —    |
| 2 New York N Y                        | 46.8                                 | 53.5 | 40.7 | 48.1 | 57.7 | 37.9 | 11.9  | 13.4 | 9.9  | 12.4 | 13.7 | 11.3 | 43.9                        | 47.4 | 34.9 | 42.9 | 48.5 | 34.3 | 48.7                     | 50.1 | 47.3 | 47.9 | 51.8 | 44.0 |
| 3 Birmingham Ala                      | —                                    | —    | —    | 41.4 | 49.0 | 35.2 | —   | —    | —    | 16.3 | 19.8 | 13.2 | —                           | —    | —    | 37.2 | 46.0 | 32.6 | —                        | —    | —    | 46.4 | 50.5 | 43.6 |
| New Orleans La                        | —                                    | —    | —    | —    | —    | —    | —   | —    | —    | —    | —    | —    | —                           | —    | —    | —    | —    | —    | —                        | —    | —    | —    | —    | —    |
| Cincinnati Ohio                       | —                                    | —    | —    | —    | —    | —    | —   | —    | —    | —    | —    | —    | —                           | —    | —    | —    | —    | —    | —                        | —    | —    | —    | —    | —    |
| Cleveland Ohio                        | 48.7                                 | 59.4 | 38.8 | 48.5 | 56.7 | 43.5 | 17.0  | 20.3 | 13.1 | 19.6 | 22.5 | 16.4 | 33.7                        | 42.6 | 24.9 | 31.5 | 38.9 | 24.1 | 67.5                     | 95.9 | 45.5 | 69.2 | 99.3 | 45.6 |
| Louisville Ky                         | 50.1                                 | 56.3 | 42.0 | 52.3 | 54.6 | 50.5 | 19.1  | 20.1 | 18.4 | 18.8 | 19.7 | 18.2 | 42.9                        | 45.2 | 40.6 | 44.1 | 44.8 | 43.8 | 49.6                     | 56.9 | 44.5 | 47.3 | 56.6 | 40.6 |
| 5 Milwaukee Wis                       | 59.8                                 | 61.9 | 48.3 | 58.2 | 61.2 | 49.2 | 16.5  | 17.0 | 14.2 | 15.1 | 16.0 | 14.5 | 51.5                        | 56.3 | 46.8 | 51.9 | 55.2 | 48.7 | 57.1                     | 65.1 | 50.2 | 65.3 | 73.1 | 52.3 |
| Toledo Ohio                           | 44.0                                 | 53.1 | 26.1 | 52.0 | 52.1 | 27.5 | 15.2  | 20.0 | 12.2 | 14.6 | 21.0 | 12.5 | 51.1                        | 63.0 | 39.1 | 44.0 | 62.6 | 46.0 | —                        | 39.5 | —    | —    | 39.2 | —    |
| Youngstown Ohio *                     | —                                    | 39.6 | —    | —    | 40.2 | —    | —   | 14.3 | —    | —    | 14.7 | —    | —                           | —    | —    | —    | —    | —    | —                        | —    | —    | —    | —    | —    |
| Ottawa Ont                            | —                                    | —    | —    | —    | —    | —    | —   | —    | —    | —    | —    | —    | —                           | —    | —    | —    | —    | —    | —                        | —    | —    | —    | —    | —    |
| 6 Minneapolis Minn *                  | 57.2                                 | 64.8 | 43.5 | 54.5 | 65.0 | 45.0 | 13.9  | 16.1 | 10.3 | 13.9 | 16.2 | 11.4 | 50.0                        | 57.2 | 42.9 | —    | 41.4 | —    | 51.6                     | 59.6 | 45.0 | 47.9 | 52.5 | 45.0 |
| Kansas City Mo *                      | 55.4                                 | 60.0 | 39.8 | 50.7 | 58.8 | 44.1 | 14.7  | 17.1 | 6.2  | 14.5 | 16.7 | 6.8  | 62.3                        | 63.1 | 58.5 | 58.3 | 61.9 | 52.7 | 62.3                     | 63.1 | 58.5 | 58.3 | 61.4 | 52.7 |
| St Louis Mo                           | 56.0                                 | 57.3 | 54.6 | 54.5 | 55.0 | 54.2 | 18.4  | 19.6 | 17.3 | 17.6 | 20.0 | 13.4 | 43.1                        | 56.8 | 35.6 | 44.5 | 55.1 | 36.1 | 45.0                     | 51.0 | 41.0 | 45.0 | 50.6 | 38.0 |
| Dallas Texas                          | 52.3                                 | 58.9 | 45.8 | 53.4 | 58.1 | 48.7 | 13.0  | 15.8 | 10.2 | 11.9 | 14.7 | 9.1  | —                           | —    | —    | —    | —    | —    | —                        | 52.9 | —    | —    | 46.7 | —    |
| 8 Ft Worth Texas                      | 51.6                                 | 52.1 | 50.1 | 50.9 | 51.3 | 49.4 | 12.6  | 17.6 | 12.4 | 12.4 | 18.3 | 10.5 | 52.9                        | 53.2 | 46.7 | 50.0 | 51.2 | 45.6 | —                        | —    | —    | —    | —    | —    |
| Houston Texas                         | —                                    | —    | —    | 49.0 | 54.2 | 43.9 | —   | —    | —    | —    | 15.2 | —    | —                           | —    | —    | 44.0 | 44.2 | 43.9 | —                        | —    | —    | —    | 5.17 | —    |
| 9 Denver Colo                         | 47.2                                 | 54.4 | 42.8 | 47.2 | 51.9 | 42.1 | 18.2  | 31.6 | 14.7 | 15.8 | 24.6 | 14.7 | 48.6                        | 54.4 | 42.8 | 46.6 | 51.1 | 42.1 | 48.6                     | 54.4 | 42.8 | 46.6 | 51.1 | 42.1 |
| Salt Lake City Utah                   | 56.1                                 | 61.0 | 51.1 | 54.6 | 58.2 | 51.0 | 18.2  | 21.6 | 15.6 | 19.6 | 25.5 | 16.7 | —                           | —    | —    | —    | —    | —    | 48.4                     | 52.1 | 44.8 | 46.1 | 47.0 | 45.3 |
| 10 Spokane Wash                       | 63.8                                 | 67.6 | 60.0 | 67.1 | 79.0 | 55.2 | 25.9  | 36.6 | 15.3 | 36.5 | 58.7 | 14.3 | —                           | 64.7 | —    | —    | 64.0 | —    | —                        | —    | —    | —    | —    | —    |
| Los Angeles Calif                     | 61.3                                 | 70.6 | 49.9 | 59.6 | 63.7 | 43.1 | —   | —    | —    | —    | —    | —    | —                           | —    | —    | —    | —    | —    | 61.5                     | 71.0 | 44.0 | 51.6 | 68.9 | 46.6 |
| Oakland Calif                         | 55.4                                 | 56.7 | 48.4 | 54.0 | 54.3 | 53.6 | 16.7  | 18.7 | 14.9 | 15.8 | 16.6 | 15.4 | —                           | 62.8 | —    | 52.3 | 61.6 | 43.1 | —                        | 49.0 | —    | —    | 44.0 | —    |
| 11 Santa Barbara Calif                | —                                    | —    | —    | 64.1 | 71.5 | 59.0 | —   | —    | —    | —    | —    | —    | —                           | —    | —    | 55.0 | 61.5 | 51.4 | —                        | —    | —    | 60.7 | 67.1 | 51.2 |
| San Francisco Calif *                 | 58.0                                 | 69.3 | 53.9 | 53.3 | 64.2 | 50.1 | 16.1  | 18.4 | 14.1 | 16.5 | 17.5 | 13.0 | 49.4                        | 51.6 | 45.0 | 45.0 | 48.1 | 39.9 | 44.2                     | 45.6 | 44.0 | 46.7 | 52.9 | 45.4 |
| San Jose Calif                        | 55.6                                 | 64.1 | 53.8 | 52.4 | 62.9 | 62.7 | 18.0  | 20.5 | 15.6 | 15.2 | 19.7 | 15.2 | —                           | 52.4 | —    | 55.4 | 61.7 | 49.2 | —                        | —    | —    | —    | —    | —    |
| Baltimore Md                          | 48.2                                 | 51.0 | 40.8 | 47.6 | 51.8 | 41.8 | 16.7  | 25.3 | 12.2 | 17.0 | 25.8 | 12.4 | 40.2                        | 48.3 | 32.1 | 36.3 | 37.0 | 34.6 | 37.9                     | 47.9 | 27.9 | 43.5 | 44.1 | 43.0 |
| 12 Philadelphia Pa                    | 37.9                                 | 41.6 | 33.6 | 39.8 | 42.3 | 37.8 | 9.8   | 10.4 | 9.3  | 10.4 | 11.2 | 9.1  | 41.1                        | 51.0 | 33.0 | 40.0 | 51.4 | 29.2 | —                        | —    | —    | —    | —    | —    |
| Washington D C *                      | 47.7                                 | 49.0 | 43.8 | 44.7 | 49.3 | 42.1 | 15.4  | 19.9 | 13.0 | 15.9 | 22.3 | 12.7 | —                           | —    | —    | —    | —    | —    | —                        | —    | —    | —    | —    | —    |

\* Figures for August. \* Includes 30-60-90-day accounts.

## Consumer Credit for August

CONSUMER INSTALMENT credit outstanding increased 679 million dollars during August to an estimated 26,155 million at the month end. The rise compares with increases of 52 million and 253 million in the same month of 1954 and 1953, respectively. The dominant element in the total increase continued to be automobile paper outstanding, which increased 509 million dollars during the month. Small increases, however, occurred in each of the other components. Instalment credit extended during August, estimated at 3,436 million dollars, was 305 million above the preceding month and nearly equal to June's record volume. Repayments also increased from July to August. Total short- and intermediate-term consumer credit outstanding amounted to an estimated 33,636 million dollars at the end of August, 740 million above a month ago and 4,900 million above a year earlier.—Federal Reserve Board.

## Department Stores Credit for August

INSTALMENT ACCOUNTS outstanding at department stores rose slightly during August. Balances at the end of the month were 1 per cent above the preceding month and 18 per cent above a year ago. Collections during the month amounted to an estimated 14 per cent of first-of-month receivables, the same as in July but 1 point above August of last year. Charge-accounts outstanding showed practically no change during August, but continued about 7 per cent above a year ago. The charge-account collection ratio, estimated at 46 per cent, was 3 points above July and 1 point above a year ago. Sales of all types increased from July to August, when some increase is usual. Each type was also above a year ago—cash sales by 7 per cent, charge-account sales by 8 per cent, and instalment sales by 18 per cent.—Federal Reserve Board.



## ★ Items of Interest From the NATION'S CAPITAL

JOHN F. CLAGETT, Counsel, National Retail Credit Association, Washington, D.C.

**Unjust Enrichment**—founded on quasi-contract (implied in law) which often runs against the intent of the party to be bound, and which therefore may give rise to surprising—and serious—results. Since application arises most often in connection with business and financial transactions, subject should be studied and its adverse application guarded against. This doctrine of quasi-contracts arising out of unjust enrichment was first enunciated in English common law almost 200 years ago by Lord Mansfield in the Court of Kings Bench in the celebrated case of *Moses v. Macferlan*, 2 Burr., 1005, decided in 1760.

A quasi-contract is a fiction of the law founded in the "ties of natural justice and equity," to use Lord Mansfield's original phrase. The Court of Appeals in *Balis v. Reconstruction Finance Corporation*, 128 Fed. 2d 857 (1942), gives the following succinct definition:

Unlike true contracts quasi-contracts are not based on the apparent intention of the parties to do or to forbear doing a particular thing. A quasi-contract does not arise out of a promise. In fact it is imposed in direct opposition to the intention of the party charged therewith. Such contracts are the means which the law has adopted to raise up obligations in order to promote justice.

The facts in two leading cases are stated somewhat in detail in the hope of promoting a better understanding of a difficult subject. The case of *Herrmann v. Gleason* (CCA 6th, 1942) 126 Fed. 2d 936 involved the question as to whether there was an obligation by defendant to pay interest on money. Herrmann, the plaintiff-appellant, was the owner of premises leased to Capital National Bank, for which defendant, Gleason, was receiver at the time suit was filed to recover interest on delayed rental payments, under the following circumstances: The premises had been leased by the bank for a period of 99 years at a prescribed rental for the first 10 years, payable quarterly in advance. The lease further provided that every 10 years thereafter the rental should be agreed upon between the parties, and, in case of failure to agree, should be determined by referees. The rent was paid for a number of years, but appellant and the receiver were unable to agree on rentals for the new 10-year period beginning April 1, 1937, and provisions referees were appointed in accordance with the lease.

After the expiration of 20 months from the time of the last payment of the agreed rentals, the referees rendered an award, determining that the fair rental for the period beginning April 1, 1937, and ending March 31, 1947, was \$725.00 per month payable quarterly in advance. The receiver paid plaintiff a sum equivalent to the rentals up to and including that date, and for the ensuing quarter. Plaintiff demanded interest on the payment for the period of 20 months during which no rental had been paid, and upon defendant's refusal brought suit. The District Court held that appellant had established no right to interest by express or implied contract or by statute; and since the receiver could not be in default until the amount of rentals was ascertained, interest could not be al-

lowed prior to the award. The Circuit Court of Appeals, however, determined that the case must be governed by other considerations, namely, the principles of quasi-contract founded on unjust enrichment. The court said:

Applying the law to the facts in this case, appellee retained and used the premises for a period of 20 months, while arbitration proceedings were under way to establish an agreed fair rental therefor. During this period, appellants were deprived of the receipt of rental, and appellee had the use of the premises, as well as the use of the money representing the fair rental value. When the referees determined such rental value, it expressly dated back to the beginning of the period during which the rentals had remained unpaid. Equity and fairness require that appellants have restitution, by way of interest, on the rentals unpaid during that period. Otherwise, appellee would receive the benefit of the value of the use of such money, to the disadvantage of appellants, and his retention thereof would result in inequity and unjust enrichment at their expense.

In the second case which we use as illustrative of the principles involved, *Matarese v. Moore-McCormack Lines* (CCA 2nd, 1946) 158 Fed. 2d 631, Matarese, the plaintiff-appellee, was an employee of the defendant, a steamship company. He was a man of little education who had emigrated from Italy and had always worked around the docks. Being employed as a stevedore on defendant's pier he had informed one Furey, defendant's agent in charge of the pier, that he had something that would facilitate loading and unloading, thus saving the defendant much money. Furey made a special trip to plaintiff's home and was there shown models of devices for loading and unloading cargo which plaintiff had invented. According to plaintiff and other witnesses, Furey expressed satisfaction with the models and promised the plaintiff one-third of what the defendant would save by use of the devices. Subsequently the defendant put a great number of the devices to use at its pier. Plaintiff filed suit on an alleged express contract to pay one-third of the savings realized by the defendant through the use of his devices. During the trial he abandoned this theory and amended his complaint by adding a prayer for recovery of quantum meruit upon the theory of unjust enrichment. The court submitted the case to the jury on this theory and it returned a verdict for plaintiff for \$90,000. Upon motion, the district judge ordered this set aside unless the plaintiff consented to its reduction to the sum of \$40,000. The plaintiff so consented, and defendant appealed. The Court said:

The doctrine of unjust enrichment or recovery in quasi-contract obviously does not deal with situations in which the party to be charged has by word or deed legally consented to assume a duty toward the party seeking to charge him. Instead, it applies to situations where as a matter of fact there is no legal contract, but where the person sought to be charged is in possession of money or property which in good conscience and justice he should not retain, but should deliver to another. . . . Where this is true the courts impose a duty to refund the money or the use value of the property to the person to whom in good conscience it ought to belong. . . . The doctrine is applicable to a situation where, as here, the product of an inventor's brain is knowingly received and used by another to his own great benefit without compensating the inventor.

# Granting Credit in Canada

C. B. FLEMINGTON . . Canadian Correspondent

## The Gateway to Opportunity

CARL B. FLEMINGTON, F.C.I., F.C.I.S., *Secretary-Manager, Credit Bureau of Greater Toronto*

NEVER WAS the passion for education greater than it is today. In numbers hitherto unapproached, the young people of our land are crowding into school and college, seeking the enrichments of life which only education can bestow. Never before have there been such opportunities to bring constructive influences to bear on the minds and hearts of those who will be the leaders of tomorrow.

The Canadian Credit Institute, through the University of Toronto Extension Department, offers a completely new and revised three-year course leading to the degree of M.C.I. This course not only covers such subjects as Credits, Collections, and Retailing, but also includes studies in Economics, Psychology, Business English, Accounting, and Commercial Law which assist in the application of practical knowledge.

Credit is playing a most important part in our economy, and the importance of the credit executive of the future will be greater than ever before. The decisions he makes and the degree of efficiency with which he administers his department will have far-reaching effects on the profitable operation of his firm.

In order that he may measure up to the responsibilities of his position, he must possess a broad and comprehensive knowledge of the fundamentals on which credit is based. This knowledge may be acquired through experience alone, but invariably the cost is high and promotion is slowly gained. Recognition goes to the deserving, and rightly so.

### Operating a Business Successfully

Successful operation of a business is largely a matter of personnel and it is to the mutual benefit of both employer and employee that advantage be taken of every opportunity to raise to an increasingly higher standard the calibre of the work that is done.

In 1927, members of the Canadian Credit Men's Trust Association, Ltd., interested in promoting the study of subjects bearing upon the administration of credit, proposed to the management the founding of a society for this purpose. It was realized that those engaged in credit management were dependent almost entirely for their success upon their experience and such haphazard study as might be possible. It was agreed that if this experience could be supplemented by academic training in the fundamentals of subjects directly related to their work, there would in due time develop a more competent and efficient credit personnel, and a professional status would be attained.

After investigation, it was decided to apply to the Parliament of Canada for an Act of Incorporation. Such application was granted and "An Act to Incorporate The Canadian Credit Institute" was passed in 1928. The curriculum was prepared with a view to

supplying the students with a basic knowledge of the subjects selected, and was restricted to those subjects which were considered as being essential in providing the fundamental training desired. The policy has proved to be sound, as is evidenced by the number of Institute graduates who have achieved outstanding success in their profession and in commercial undertakings.

The purposes of the Canadian Credit Institute are:

To set a standard of education in mercantile and consumer credit that will place graduates of the Canadian Credit Institute on a recognized high plane of efficiency and ability.

To promote a proper and continuous study of all matters relating to mercantile and consumer credit and to issue from time to time such works as will be of value to students of this branch of business.

To encourage through the Canadian Credit Men's Trust Association, Ltd., the Associated Credit Bureaus of Canada and The Credit Granters' Association of Canada, every active credit manager, his assistants and others eligible, to obtain membership in the Institute.

The course is conducted through the University of Toronto, Extension Department and is set on university standards. It combines the study of wholesale and retail credit procedure and graduates are fully qualified to enter either field.

Membership in the Institute shall be available only to those who have had the requisite credit experience in accordance with the Bylaws of the Institute and who have been awarded a degree, as follows:

Degrees: *Member*—M.C.I., for all who are successful in the final examination of the work prescribed for the three-year course and who have had at least five years' practical experience in credit work, approved by the Council.

*Fellow*—F.C.I., an honorary degree conferred by the Council for meritorious service in credit education or conspicuous service in the credit field.

Tuition is provided through Bulletins, in book form, issued from the offices of the University of Toronto, Extension Department. Local arrangements may be made relative to supplementary lectures for students in any area. Course of study is designed for a three-year period with an annual assignment of five subjects, which must be completed. Reference or textbooks may be purchased through the Institute or borrowed at small fee through the Institute library. The cost of the Course, including registration and full tuition, is set at \$75.00 per year. Textbooks, if desired, additional. Bulletins, in book form, covering material for all subjects are, of course, provided within the prescribed fee. ★★★

## Local Association Activities

### Minneapolis, Minnesota

At the annual meeting of the Retail Credit Association of Minneapolis, Minneapolis, Minnesota, the following officers and directors were elected: President, A. W. Schreiner, The Colwell Press; Vice President, O. J. Van Lander, John W. Thomas and Company; and Secretary-Treasurer, C. A. Wildes, Credit Bureau of Minneapolis. Directors: Lydia S. Dusek, W. R. Stephens Company; Eugene W. Oredson, First Edina National Bank; Ray A. Knaeble, Knaeble Company; Mabel H. Miller, Carnegie Dock and Fuel Company; B. F. Collins, Warner Hardware Company; George A. Werness, Werness Brothers Funeral Chapel; N. H. Dashiell, Jr., Northwestern National Bank; Robert L. Johnson, Maurice L. Rothschild-Young-Quinlan Company; Vernon Olson, The C. Reiss Coal Company; and W. F. Streeter, Boutell's.

### Wichita Falls, Texas

The newly elected officers and directors of the Wichita Falls Retail Credit Granters Association, Wichita Falls, Texas, are: President, Guy R. Hendrick, Tanner's; Vice President, Don Hellman, Joe Pistocco Auto Service; Secretary, Sarah W. Simmons, Retail Merchants Association; and Treasurer, E. C. Buntyn, Medical and Surgical Clinic. Directors: R. C. Thomas, Hodges Tire Company; Earl Lehman, Firestone Stores; Ramona Mooneyham, Riley Furniture Company; Alvah Conner, Medical and Surgical Clinic; Theda Bryan, Morgan Motors; and Virginia Hearn, Hub Clothiers.

### Pittsburgh, Pennsylvania

The new officers and directors installed at the annual meeting of the Retail Credit Association of Pittsburgh, Pittsburgh, Pennsylvania, are: President, H. J. Wood, Peoples First National Bank and Trust Company; First Vice President, E. E. Christy, Boggs and Buhl; Second Vice President, J. R. Woodward, Gulf Oil Corporation; Third Vice President, W. C. Williams, Union Supply Company; Secretary, T. L. Ford, The Credit Bureau; and Treasurer, C. G. Kaessner, Kaufmann's. Directors for three years: E. E. Christy, Boggs and Buhl; J. R. Onorad, Potter Bank and Trust Company; J. A. Schmidt, Federal Reserve Bank of Cleveland; and H. J. Wood, Peoples First National Bank and Trust Company.

### Springfield, Massachusetts

The newly elected officers and directors of the Retail Credit Association of Springfield, Springfield, Massachusetts, are: President, Alfred E. Rowley, Springfield Institution for Savings; First Vice President, Raymond W. Williamson, Carlisle Hardware Company; Second Vice President, Russell R. Moffatt, Springfield Safe Deposit and Trust Company; and Secretary-Treasurer, George B. Allan, Credit Bureau. Directors: Ernie Deslauriers, Forbes and Wallace; Robert S. Putnam, Union Trust Company; Richard E. Melander, Albert Steiger Company; and Donald E. Clark, Third National Bank and Trust Company.

At their first monthly dinner meeting Edward J. Stewart, New England Regional Director, Small Business Administration, Boston, Massachusetts, talked on how the government agency has been helping individuals and business firms get financial relief since the flood disaster of August 18, 1955, caused by the hurricane Diane in various sections of New England.

### Amarillo, Texas

The newly elected officers and directors of the Retail Credit Executives of Amarillo, Amarillo, Texas, are: President, Fred Warren, Professional Acceptance Corporation; First Vice President, Hal Zumwalt, Employees Loan Service; Second Vice President, Ned Miller, Pioneer Natural Gas Company; and Secretary-Treasurer, Inez Diffenderfer, Klines, Inc. Directors: Mrs. Ellen Dunn, Southwestern Bell Telephone Company; Robert Brierly, Shamrock Oil and Gas Corporation; L. R. Hardage, Fedway Stores; and Evelyn Sohns, Wagner Jewelry Company.



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American Cancer Society



CREDIT WORLD  
NOVEMBER 1955

# COMMENTS

By the Editor



## Your Responsibility

**M**EMBERS of Local Associations should attend all meetings of the Local Association, as well as District and International Conferences of the National Retail Credit Association.

The interchange of ideas, the excellent educational programs, and the constructive discussion of mutual problems and procedures will enable you to improve the efficiency of your department.

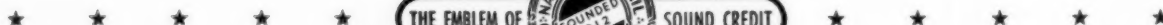
One reason offered for failure to attend meetings was the expense and time involved, which in some cases management was unwilling to absorb. Where this has occurred it has probably been because of failure to impress upon management the importance of the meetings, the enlightening programs and the beneficial contacts with fellow credit managers.

Considering the many benefits, the time involved (usually not more than one and one-half hours) and the small expense for meals are repaid many times over.

Management should insist upon regular attendance and participation in all activities of the Association.

*Cooperation will pay lasting dividends.*

General Manager-Treasurer  
NATIONAL RETAIL CREDIT ASSOCIATION



*Mr. Credit Executive*  
Do you age your accounts? Here is a form designed especially for your needs.

It is especially effective for smaller stores for use in collection follow-up and placing restrictions on accounts.

## NATIONAL RETAIL CREDIT ASSOCIATION

**St. Louis 5, Mo.**

## NAME OF FIRM

MONTH OF \_\_\_\_\_ 19\_\_\_\_

In the interest of efficient credit control accounts past due more than 60 days or accounts in an overbought condition should be reported to the Credit Bureau.

Form 721—National Retail Credit Association—Saint Louis  
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